

Item 4 – Early Years Budget

Schools Forum – Monday 27th January 2025

Members of Forum allowed to vote: All school and academy members can vote. Only early years representatives from the non-school members can vote. Non-school members, even if represented by school staff, are not eligible to vote.

Summary

Local authorities (LA) are required to consult with Early Years providers and Schools Forum on proposed changes to the local formula which are then agreed with our School Forum.

The Early Years Working Group which is made up of the different early years' providers. They have been consulted on the proposed options, under Section 7 (see tables 6,7&8), and their preferred option is **one**.

This paper presents the indicative early years budget for 2025/26, totalling £72,459,812, as announced by the Education and Skills Funding Agency (ESFA) on 18th December 2024. It outlines the annual review process and provides recommendations for allocating the 2025/26 Early Years DSG budget, considering the government's childcare reform.

Recommendations

Schools Forum is requested to:

- A) Note the total indicative budget allocated by the ESFA for DSG Early Years Block for 2025/26 financial year;
- B) Agree the hourly pass-through rate to be paid to early years providers in 2025/26 financial year, as set out in Table 2;
- C) Approve the early years central retention budget of 3% to support providers and administration of the early years entitlements;
- D) Note the preferred distribution methodology for early years pass through rate, deprivation, 2YO uplift and SENIF, by the Early Years Working Group which is the same as 2024/25 and vote if in agreement [**para 3.1 AND 4.2**];
- E) Note the contingency funding set aside to deal with fluctuations and unforeseen costs [**para 4.2**];
- F) Agree the option for the distribution of the Maintained Nursery School Supplement, including the Teachers Pay Pension Grant (TPPG) for 2025/26 and vote on preferred method [**para 7**];
- G) Note the preferred distribution methodology by the Early Years Working Group (in paragraph 7) is the same as 2024/25 and vote if in agreement;
- H) Note information on the indicative numbers for funded children in 2025/26 [**para 5**].

Early Years Dedicated Schools Grant (DSG) Funding and Options for 2025/26

1. Background

- 1.1 The Childcare Act 2006 places a duty on local authorities to secure sufficient early years provision free of charge, including wraparound childcare for eligible working parents of children from 9-months to 4-years-old. It also supports the continuation of the expanded childcare entitlements for working parents:
 - 1.1.1 15-hour entitlement for 2-year-old children of families receiving additional support
 - 1.1.2 15-hour entitlement for families of 3- and 4-year-olds
 - 1.1.3 Working families entitlements, which include:
 - a) the 30-hour entitlement for eligible working families of 3- and 4-year-olds
 - b) the 15-hour entitlement for eligible working families for all working families with children aged 9-months and 2-years
 - c) the 30-hour entitlement for eligible working families for all working families with children aged 9-months to 4-years from September 2025
- 1.2 The previous Chancellor announced a range of measures in the Spring 2023 budget to reform childcare to expand the availability of the childcare offer to working parent using a phased approach. The childcare expansion timeline is as follows:
 - 1.2.1 April 2024, the 15-hour entitlement for children aged 2 years of eligible working parents was implemented
 - 1.2.2 September 2024, the 15-hour entitlement for children aged 9 months of eligible working parents was implemented
 - 1.2.3 from September 2025, the 30-hour entitlement for children aged 9 months of eligible working parents will be implemented.
- 1.3 Local Authorities are required to secure the free hours set out above, a year over no fewer than 38 weeks of the year and up to 52 weeks of the year, for eligible children in their area. All children who meet the eligibility criteria can take up a free place if their parent/carer wants one.
- 1.4 These entitlements can be provided by a maintained nursery school, nursery class in a primary school, private, voluntary, or independent sector or a childminder.

2. ESFA indicative DSG budget for Early Years

- 2.1 Croydon's total indicative early years block DSG allocation for financial year 2025/26 is **£72,459,812**. Early Years education and childcare are funded through the Early Years Block of the DSG and funds the universal and extended provision for all 3- and 4-year-old children and 2-year-old children from families receiving additional support. Funding is also currently used to support the costs for children with emerging levels of Special Educational Needs.
- 2.2 Local authorities can retain up to 4% of these funding to support the provision of central early years-related services. This is a reduction of 1% from previous years.
- 2.3 For 2025/26 the ESFA have made the following changes:
 - a) An increased minimum pass-through to early years providers – the pass-through rate will increase from 95% to at least 96%;
 - b) An expectation that local authorities will announce their funding rates to childcare providers by 28 February 2025, which is intended to be mandated as a requirement from 2026/27;

- c) Increased guidance on expectations around SENIF arrangements and greater detail on how DAF should be allocated and distributed.
- 2.4 The are requirements in early years block of the DSG that local authorities must adhere to in order to be compliant with the DfE Early years entitlements: local authority funding operational guide 2025 to 2026. These are:
- a) A minimum amount of 96% funding must be passed through to providers
 - b) A universal base rate for all types of providers
 - c) Supplementary funding for Maintained Nursery Schools
 - d) A Disability Access Fund (DAF)
 - e) Special Educational Needs Inclusion Fund (SENIF) from Early Years and or High Needs block
 - f) Deprivation supplement for universal 3&4
 - g) A top slice of no more than 4%.
- 2.5 The 96% includes:
- a) A universal hourly base rate, which is paid to all providers.
 - b) Supplements for deprivation, rurality or sparsity, flexibility, quality, and English as an additional language (although this extra money cannot be more than 12% of the total funding to providers). These are paid based on providers meeting certain eligibility criteria. Deprivation is the only required supplement for universal 3&4YO
 - c) Special educational needs inclusion fund (SENIF), which should be targeted at children with lower level or emerging special educational needs (SEN).
 - d) Contingency funding, which is extra money set aside for changes in the number of children taking up the entitlements throughout the year.
- 2.6 On 18th December 2024, the DfE released the hourly rates for April 2025 to March 2026 and the early years indicative budget funding entitlements for 2025/26 financial year. The indicative budget reflects the four entitlements that are to be funded during the course of the year:
- a) 9 months to 2-year-olds (Under Twos)
 - b) 2-year-olds (Working Family)
 - c) 2-year-olds (Families Receiving Additional Support)
 - d) 3- and 4-year-olds (Universal)
 - e) 3-and 4year-olds (Working Family)
- 2.7 30 hours for working families of all ages are new for 2025/26.

3. Suggested funding distribution for 2025/26

- 3.1 In 2024/25 Schools Forum were presented with 3 possible distribution options. Schools' Forum voted for the following option which is suggested to be applied again for 2025/26
- a) 97% passthrough to providers;
 - b) 1.2% deprivation;
 - c) 1.3% SENIF fund contribution;
 - d) 0.5% contingency fund;
- 3.2 **Proposed local hourly funding rate to early years entitlements.** Although the ESFA provides a national average and base funding rates for each age-group and LA, LA's 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.

3.3. The rate to be paid to providers in 2025/26 will need to be agreed by Schools Forum.

- 3.3.1 Working Family 9 months to 2-year-old –15 hours free childcare for eligible children from the term after they are 9 months for a maximum of 38 weeks per year. This increases to 30 hours from September 2025. Funding received once the top slice and supplements have been applied is **£13.48 per hour**.
- 3.3.2 Working Family and Families Receiving Additional Support 2-year-old –15 hours free childcare from the term after their 2nd birthday for a maximum of 38 weeks per year. This increases to 30 hours for eligible Working Families from September 2025. Funding received once the top slice and supplements have been applied is **£9.86 per hour**.
- 3.3.3 Universal and Working 3-and-4year-old funding from the term after their 3rd birthday for a maximum of 38 weeks per year. Funding received prior to the top slice and supplements have been applied is **£6.66 per hour**.
- 3.4 Local authorities must passthrough at least 96% of early years funding to providers and the remaining 4% for central services to support providers and administration of the early years entitlements. The DfE intend to increase the passthrough rate from 96% to 97% once the expanded entitlements are sufficiently embedded. Last year, the council proposed which agreed by Schools Forum a passthrough rate of 97% for early years providers.
- 3.5 The aim is to achieve a balanced position for the funding available for distribution to the early years sector, support for disadvantaged children, children with additional needs, and funding required for central council functions.
- 3.6 Croydon indicative budget is a total of £70,723,610 excluding the 3% top slice, MNS, EYPP and DAF as these funds are passed to providers in their entirety and not eligible to be included in the top slice. Table 1 below sets out the funding type / amount allocated prior to the top slice being applied for the different age groups. Table 1A sets out the base rate for each age group.
- 3.7 The funding of £72.46m received (and the rate used) is as shown in Table 1 and Table 1A below. Please note that the rate of distribution to providers will be different after accounting for all allowable top-slice.

Table 1: Indicative budget for each age group

DSG	Funding type	Indicative budget
	3&4YO	£24,416,188
	Xt 3&4YO	£9,384,385
	RAS 2YO	£5,414,017
	W2YO	£12,659,256
	U2YO	£18,849,764
	MNS	£1,051,365.00

Table 1A: Base rates for each age group

	Funding type	Base rate
Rates	3yo	£7.08
	2yo	£10.49
	9mth	£14.34

	EYPP	£406,251.00
	DAF	£278,586
	Total	£72,459,812

3.8 Early Years Pupil Premium (EYPP), Disability Access Fund (DAF) and SENIF is accessible to all children who meet the eligibility criteria.

4. Detail

4.1 In line with last years agreed distribution it is suggest that the following method is applied again in 2025/26

4.2 97% pass through to providers. 1.2% deprivation budget for 3&4YO; 1.2% RAS2YO uplift fund; 1.3% SENIF and 0.5% contingency. Table 2A provides detail of the rates and the increase from 2024/25. Table 2B provides 2025/26 DAF, EYPP and Deprivation rates.

- a) Indicative top slice: £2,121,708
- b) Indicative deprivation budget: £393.439
- c) Indicative RAS2YO uplift budget; £429,784
- d) Indicative SENIF budget: £891,825
- e) Indicative contingency budget: £343,010

Table 2A – Rates against each funding type from 23/24 to 25/26

Funding type	23/24	2024/25	2025/26	Difference
3YO	£5.99	£6.35	£6.66	+£0.31
RAS2YO	£9.63	£9.83	£10.54	+£0.71
W2YO	N/A	£9.51	£9.86	+£0.35
9mth	N/A	£12.89	£13.48	+0.59

Table 2B – DAF, EYPP & Deprivation rates for 25/26

Funding Type	Amount
Deprivation – 3&4 Universal	£1.10 Per hour
EYPP	£1.00 Per hour
DAF	£938 Annually

5. Numbers of children accessing funding

5.1 From September 2025 there will be a further rise in the number of children accessing funding entitlement and supplementary funding.

5.2 Table 3 shows DfE data on the predicted number of children accessing funding in the current financial year, and the number that is predicted to be accessing funding in 2025*. The data shows an increase of 1,656 part time equivalent (PTE) children accessing funded places. It is important to note that these are predicted figures and are subject to change. The numbers of children accessing funding this year is currently higher than predicted by the DfE. **based on when the thirty hour funding is available for all eligible working families*

Table 3 – DfE Predicted Funding Figures for 2025

	Funding type	2024/25 numbers (DfE data)	2025/26 numbers (DfE data)	Difference
Numbers	3yo	5,938	6050	112
	30H 3yo	2,181	2325	144
	RAS 2yo	905	849	56
	W 2yo	1,300	1646	346
	9mth	675	1795	1,120
	Total	11,009	12,665	1,656

5.3 In preparation for 2024-25 additional staff resource were recruited to ensure the team could meet the increasing demand. This was funded for one year with the DfE early years capacity grant. Data has shown that going forward this resource is needed on a permanent basis as there will be a further increase in the number of claims to be processed at each headcount.

6. Other budgets:

6.1 **Disability Access Fund (DAF)** rate has risen to a yearly rate of:- £938.00 per eligible child. Table 4 shows the indicative budget for the various age groups.

Table 4 – DAF indicative budget for each age group

Age	Budget
3&4yo	£209,174
2yo	£58,156
U2yo	£11,256
Total	£278,586

6.2 **Early Years Pupil Premium (EYPP)** has risen to an hourly rate of £0.68. Table 5 shows the indicative budgets for the various age groups.

Table 5 – EYPP indicative budget for each age group

Age	Budget
3&4yo	£316,162
2yo	£82,650
U2yo	£7,439
Total	£406,251

7. Maintained Nursery School Supplement

7.1 Maintained Nursery Schools (MNS) receive Supplementary Funding which is additional funding that was initiated as part of the move to the NFF (National Funding Formula) to provide funding protection with respect to historic duties to 3- and 4-year-olds.

7.2 For the financial year 2025/26 the Teachers Pay Pension Grant (TPPG) has been included in the overall DSG LAs receive for the MNS supplement for 3- and 4-year-old.

The MNS funding received is: £1,051,365 which includes £100,947 of TPPG. There are three options to consider for distribution of the MNS funding.

7.2.1 **Option 1 (used in 2024-25)** will split the TPPG equally by five, providing each school with a lump sum of £20,189 and distribute the remaining MNS grant based on child numbers. Using the predicted data from the DfE, 350 children will provide an indicative child rate of £2,715. (The child rate will be confirmed once census 2025 has been completed and the child number data known).

7.3 The benefit of this option is all schools receive an equal grant for teachers pay and pensions to cover additional costs of the statutory roles Nursery Schools must have in place. It also provides the MNS based on pupil numbers ensuring an equal rate for all children. The disadvantages are schools with larger numbers of children may have a larger pay and pension contribution, and those schools with lower children on roll will receive a smaller amount of the MNS than schools who have a higher number of children on roll.

Table 6 – Option 1:

Nursery School	Numbers on roll	TPPG	Total MNS	Combined Total
N1:	54	£20,189	£146,636	£166,825
N2:	76	£20,189	£206,376	£226,566
N3:	48	£20,189	£130,343	£150,532
N4:	80	£20,189	£217,238	£237,428
N5:	92	£20,189	£249,824	£270,014
Total	350	£100,947	£950,418	£1,051,365

7.3.1 **Option 2** Will split the TPPG based on child numbers and also distribute the MNS based on child numbers.

7.4 The benefit of this option is that both the TPPG and the MNS is provided on child numbers basis. Therefore, those schools with more children, and therefore likely to have more staff, receive a higher percentage of the grant. The disadvantages of this are that small schools will receive a lower TPPG amount but are still required to have a qualified headteacher and SENCO which the MNS and TPPG is designed to support the costs of.

Table 7 – Option 2:

Nursery School	Numbers on roll	TPPG	Total MNS	Combined total
N1:	54	£15,575	£146,636	£162,211
N2:	76	£21,920	£206,376	£228,296
N3:	48	£13,844	£130,343	£144,187
N4:	80	£23,074	£217,238	£240,312
N5:	92	£26,535	£249,824	£276,359
Total	350	£100,947	£950,418	£1,051,365

7.4.1 **Option 3** Will split the TPPG and MNS equally between the five schools.

7.5 The benefit of this option is that the fund is split equally so all schools will be allocated their indicative budget prior to Census 2025 (this data is used to calculate the child rate

and split per school). Smaller schools will receive the same funding as larger schools. The disadvantage of this option is the hourly rate will vary from school to school with smaller schools receiving higher rate per pupil than larger schools which may impact on covering staff requirements.

Table 8 – Option 3:

Nursery School	Numbers on roll	TPPG	Total MNS	Combined total
N1:	54	£20,189	£190,084	£210,273
N2:	76	£20,189	£190,084	£210,273
N3:	48	£20,189	£190,084	£210,273
N4:	80	£20,189	£190,084	£210,273
N5:	92	£20,189	£190,084	£210,273
Total	350	£100,945	£190,084	£1,051,365

- 7.6 The DfE operational guidance states that the MNS is provided as an hourly rate (£5.27 for 2025/26) and is based on PTE Universal 3&4YO. Its states that all providers must be paid the same hourly rate, but LA's may continue to use lump sum funding for the distribution of the MNS. Source: [EY DSG Operational Guidance](#)
- 7.7 Tables 6, 7 and 8 show the 3 options based on illustrative figures from the DfE. Any surplus amount will be distributed amongst the 5 schools. **some totals are rounded up or down by £0.01 depending on method used.*

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Date: 13/01/25

Appendix A - EARLY YEARS EDUCATION AND CHILDCARE – GLOSSARY OF TERMS - ACRONYMS / TERMINOLOGY / DEFINITIONS

The Early Years Education and Childcare glossary defines terms used in this paper and their meaning.

ACRONYMS / TERMINOLOGY	WHAT IT STANDS FOR	DEFINITION
EY	Early Years	Under five years old
EY Block	Early Years Block	Dedicated Schools Grant early years funding for free early education and childcare entitlements.
EYB	Early Years Budget	Financial resource allocation for early years from Department for Education to deliver free early years entitlements.
EYWG	Early Years Working Group	Representative and consultative group of registered Early Years providers to discuss strategic issues and financial matters relating to Early Years; support the delivery of the funded early education and childcare in Croydon; and makes recommendation to Schools Forum for decision.
DfE	Department for Education	Responsible for children's services and education, including early years. Provides local authorities with relevant funding streams which together form the early years block of the dedicated schools grant.
DSG	Dedicated Schools Grant	Ring-fenced specific grant allocated to the Local Authority by the Government to support a range of education related services.
Under 2-year-old – from 9 months Old		Extended entitlement from September 2024 - funding for the 15 hours for 9-month-old up to 2-year-old children of eligible working parents.
2 years old		Extended Entitlements – from April 2024, 2-year-olds working parents funding for the 15 hours entitlement for 2-year-old

		children of eligible working parents.
Receiving Additional Support (RAS)2YO		Where families meet the eligibility criteria to receive early years education from the funding period after their second birthday.
3-year-olds		Funding for the universal 15-hour entitlement for all 3 and 4-year-olds. funding for the additional 15 hours for 3 and 4-year-old children of eligible working parents
30 Hours		Working parents/carers can receive 30 hours a week of funded childcare for their 3- and 4-year-old children.
EYPP	Early Years Pupil Premium	Extra funding to providers to support education for 3 and 4-year-olds, 2-year-olds and under 2s, if parents on certain benefits.
EYFS	Early Years Foundation Stage	Sets standards for the learning, development and care of children from birth to 5 years old.
DAF	Disability Access Fund	Funding paid for 3 and 4-year-olds, 2-year-olds and under 2s. National rate for DAF is £910 per eligible child per year.
Deprivation supplement		Local authorities must use this supplement to recognise deprivation in their areas to support any disadvantaged or vulnerable children.
LA	Local Authority	Local authorities also have a range of statutory duties, including, as far as reasonably practicable to secure sufficient childcare in their area for working parents.
MNS	Maintained Nursery School	A local authority school and is funded and controlled by the local authority to provide early education and childcare to under 5s.

MNS Supplementary Funding	Maintained Nursery School Supplementary Funding	Additional funding in recognition of the higher costs they face.
PVI	Private, Voluntary and Independent	Privately owned early years providers who offer care to children under 5 years old.
SEND	Special educational needs and disabilities	Children with learning difficulty and/or a disability that means they need special health, childcare and education support.
SENIF	Special Educational Needs Inclusion Fund	Statutory requirement made available to enable settings supporting pre-school children with special educational needs to secure better outcomes
Indicative budget		DfE estimation of amount of money that is needed for early years.
Passthrough rate		Local authorities are required by law to pass on 95% of the early years funding they receive from central government to providers.
Top slice	Centrally retain funds by local authorities	Central retention of funding from early years block. Council are allowed to top slice this funding up to 5% to support staffing and other early years support.
TPAG	Teachers Pay Additional Grant	Extra funding to help schools cover the cost of the teachers' pay award
Contingency fund		Extra money set aside for changes in the number of children taking up the entitlements throughout the year.
Universal Funding		All 3- and 4-year-olds are entitled to 15 hours per week of funded places from the term after turning 3 years old.
Local funding formula		funding rates paid to early years providers for each age group – under 5s – from the pass through rate.