

Date of meeting:	Thursday 13 March 2025
Title of report:	Early Years Funding Update
Type of report: Delete as required	For information
Executive summary: Including reason for submission	This report considers the planned expenditure for the 2025-26 financial year in respect of the utilisation by the local authority of the early years funding retained for the delivery of centrally managed early years service provision. The report also outlines the recently published details of the DfE Early Years Expansion Grant 2025-26.
Budget / Risk implications:	The utilisation of the centrally retained Early Years DSG funding impacts on the services provided by the local authority for early years children and the early years sector within North Yorkshire. The DfE Early Years Expansion Grant 2025-26 is provided to support the early years sector as it prepares to deliver the final phase of expansion of the working parent entitlement from September 2025
Recommendations:	The North Yorkshire Schools Forum is asked: <ul style="list-style-type: none"> i. To note the 2025-26 Early Years DSG allocation and to approve the associated planned expenditure. ii. To note the DfE Early Years Expansion Grant 2025-26 and the initial consideration for the allocation of the grant.
Voting Requirements	All Schools Forum Voting Members
Appendices:	N/A
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Presenting officer:	



1.0 PURPOSE OF THE REPORT

- 1.1. This report considers the planned expenditure for the 2025-26 financial year in respect of the utilisation by the local authority of the early years funding retained for the delivery of centrally managed early years service provision. The report also outlines the recently published details of the DfE Early Years Expansion Grant 2025-26.

2.0 BACKGROUND

- 2.1 At the January 2025 meeting of the Schools Forum, an update was provided on the following key aspects of early years funding for the 2025/26 financial year:

- Details of the DfE announcement in December 2024 of the details of the 2025-26 early years entitlement funding.
- The 2025-26 early years local authority funding rates for North Yorkshire
- The 2025-26 early years provider funding rates for North Yorkshire, as approved by CYPS Executive Members on 21 January 2025, in consideration of the responses to the principle-based 2025-26 early years funding consultation undertaken in Autumn 2025 with the early years' sector within North Yorkshire.
- The 2025-26 funding levels for the Early Years Pupil Premium and Disability Access Fund.
- Details of Maintained Nursery School Supplementary Funding
- The planned expenditure for the 2025-26 Early Years Dedicated Schools Grant (DSG)

- 2.2 Following the principle-based early years funding consultation undertaken with the early years sector within North Yorkshire in Autumn 2024, the following principles have been applied to the calculation of the proposed provider base funding rates for the 2025-26 financial year:

- The local authority funding retention rate for the provision of centrally managed service provision for early years is approx. 3% for all funded entitlements.
- The funding for the Early Years SENIF is provided from the Early Years DSG Block (approximately 2% of local authority funding rate for all funded entitlements)
- There is a single provider base funding rate for the 2-year-old entitlements for families in receipt of additional support and working parents.

- 2.3 There has been significant expansion of funded early education and childcare entitlements for working parents between April 2024 and September 2025 as follows:

- From April 2024 working parents of 2-year-olds being able to access 15 hours of funding childcare per week (38 weeks a year)
- From September 2024 working parents of 9 month to 3-year-olds being able to access 15 hours of funding childcare per week (38 weeks a year)
- From September 2025 working parents of 9 month to 3-year-olds will be able to access 30 free hours per week (38 weeks a year).

Within North Yorkshire, the number of children in receipt of early years funded provision has increased from 8,683 children in January 2024 to 14,853 in January 2025 as a result of the expansion of early years funded provision for the younger children of working parents. The Early Years DSG is forecast to increase from £34.9m in 2023-24 to £90.9m in 2025-26 – an increase of £56m per annum.



2.4 A summary of the planned 2025-26 Early Years DSG allocation, as presented to the Schools Forum in January 2025, is detailed below:

	£'000
Funding Direct To Providers	
Universal entitlement 3 & 4-year-old places (incl. Funding Supplement provision)	22,271
Working Families entitlement 3 & 4-year-old places (incl. Funding Supplement provision)	12,702
Families in Receipt of Additional Support 2-year-old places (incl. Funding Supplement provision)	3,493
Working Families entitlement 2-year-old places (incl. Funding Supplement provision)	18,868
Working Families entitlement under 2-year-old places (incl. Funding Supplement provision)	27,839
Early Years SENIF (all entitlements)	1,722
Early Years Pupil Premium (all entitlements)	564
EY Disability Access Fund (all entitlements)	338
Maintained Nursery Schools Transition	452
Sub Total	88,249
Centrally Managed Services – funded by 3 & 4-Year-Old DSG Funding	1,095
Centrally Managed Services – funded by Families in Receipt of Additional Support 2-Year-Old DSG Funding	109
Centrally Managed Services – funded by Working Families 2-Year-Old DSG Funding	590
Centrally Managed Services – funded by Working Families Under 2-Year-Old DSG Funding	866
	90,909
Funded By:	
2024-25 baseline	57,849
EYNFF Funding Rate Increase	1,697
Reduction in 3 & 4-year-old universal entitlement take-up	-462
Increase in 3 & 4-year-old working families entitlement take up	298
Reduction in families receiving additional support 2-year-old entitlement take up	-175
Expansion of working families 2-year-old entitlement	9,436
Expansion of working families under 2-year-old entitlement	22,109
Early Years Pupil Premium (all entitlements)	117

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EY Disability Access Fund (all entitlements)	47
Maintained Nursery Schools (MNS) Supplementary Grant adjustment	-7
Total Early Years DSG	90,909

3.0 CENTRALLY MANAGED SERVICE PROVISION RELATED TO EARLY YEARS

- 3.1 The local authority is permitted to retain no more than 4% of the funded entitlements Early Years DSG funding allocation for early years centrally managed service provision in 2025-26. As the funding allocation will vary dependent on demand for the provision of funded childcare, the centrally managed service budget which can be retained is also subject to some fluctuation. North Yorkshire Council adopted a strategy of c.3% retention of early years funding to support the provision of centrally managed services related to early years in the 2024-25 financial year.
- 3.2 In respect of the 2025-26 financial year, the local authority is proposing to retain c.2.97% of the funded entitlements Early Years DSG funding for the provision of centrally managed early years services. This proposal seeks to:
- ensure provider base rate funding is maximised as far as possible.
 - recognise the funding of the early years SENIF from the Early Years DSG
 - recognise the increased overall funding quantum of the Early Years DSG entitlement funding because of the expansions of funded entitlements for working parents.
 - recognise the increased requirements placed on centrally provided LA services in respect of the increased numbers of children accessing funded provision and the associated increased funding levels.
- 3.3 In a number of service areas, the expansion of the early years funded entitlements has placed additional requirements on services and has necessitated a scaling up of service provision. In particular:
- The Early Years Finance and Funding Team has experienced significant increases in the level of funding claims required to be processed that necessitates the scaling up of the financial monitoring and control processes.
 - The Family Information Service has experienced a significant increase in service demand through contact and requests for information and advice that requires the provision of additional staffing, as well as leadership and operational management capacity, to implement the early years' expansion programme.
 - Scaling up Prevention and Portage services to meet the needs of the increased number of children and families requiring access to these services.
 - Increased capacity to deliver a programme of quality improvement support to the early years sector to improve provision, narrow the disadvantage gap, and ensure all children are school ready in-line with both national and Council priorities.

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- 3.5 A breakdown of the centrally retained service provision planned expenditure to be funded from the early years DSG funded entitlements is shown:

	2025/26
	£000's
Early Years Early Help	480
Portage	390
Quality Improvements (Inc. Family Information Service)	865
Finance	365
Provider Email System	6
Access Management & Sufficiency	95
Other (e.g. data and performance, communications etc)	459
Total Early Years Centrally Retained Service Provision Funded Early Years DSG	2,660

4.0 2025-26 EARLY YEARS EXPANSION GRANT

- 4.1 On the 28 February 2025, the DfE published the details of the Early Years Expansion Grant 2025-26 (EYEG 2025-26) which, nationally, provides £75 million of funding to support the early years sector as it prepares to deliver the final phase of expansion of the working parent entitlement from September 2025. The EYEG 2025-26 funding for North Yorkshire Council is £897.6k; this is based on £74.10 per part time equivalent (PTE) place for 2-year-olds and £102.60 per PTE place for under 2-year-olds.

- 4.2 The conditions of grant for the EYEG 2025-16:

- Allow local authorities to distribute early years expansion grant funding as suggested by DfE, or they can develop a bespoke approach tailored to support specific growth needs in their area.
- Require local authorities to notify providers of their allocations from the early years' expansion grant within 6 weeks of local authority funding allocations being confirmed by DfE, that is by 10 April 2025.
- Require local authorities to ensure that the early years expansion grant is distributed in a clear and transparent manner, so that providers understand how allocations have been determined locally, especially when they differ from DfE's suggested route.
- Provide options for the allocation of the grant funding. The DfE have provided recommended approaches as to how local authorities can allocate the funding locally, as follows:
 - A) Distribute their total allocation between providers as a flat rate per-PTE, according to the number of 2-year-olds and under 2s taking up the early education entitlements in settings.
 - Or
 - B) Use their local 2-year-old and under 2s local funding formulae to determine provider-level funding.

Alternatively, local authorities can create a specific local approach to target funding on specific growth needs in their area. Any bespoke models adopted should reflect the crucial role that private, voluntary, and independent providers, including childminders, play in local expansion plans and take into account the full funding context for 2025-26, including the funding delivered to school-based settings through the 2025-26 National Insurance contributions grant. Further, where any bespoke

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approach provides funding based on 2-year-old places, in their count of PTEs, local authorities must include those taking up the Families Receiving Additional Support (FRAS) entitlements.

- Require local authorities to pay providers before the end of August 2025, to give providers certainty once they start to incur costs ahead of the September 2025 expansion.
- State local authorities do not need to consult with their Schools Forum on passing on the early years expansion grant funding to early years providers. Nonetheless, the DfE encourage local authorities to be clear with providers and engage with them early to share details of how and when they plan to allocate funding, where this is possible and does not create excessive delays in finalising allocations and making payments to providers.
- Require all funding received via this early years' expansion grant to be distributed to eligible early years providers and, regardless of distribution method, must not be used for contingency purposes or local authority central or administration costs.
- Require local authorities to ensure that early years' expansion grant funding is only allocated to early years providers delivering the government's childcare entitlements.
- State the DfE will work with local authorities to understand how the early years expansion grant has been used to support delivery of the September 2025 delivery milestone. This will include collecting information on the approach local authorities have taken to allocate funding to providers, including average amounts per provider and proportion of providers in each area receiving funding through the grant. The DfE will also collect information from local authorities on how providers in their area have used early years expansion grant funding.
- Confirm that funding allocations are final with no adjustment to the early years' expansion grant allocations.

- 4.3 The local authority, having regard to the requirements and timescales detailed in the conditions of the EYEG 2025-26, proposes to allocate the grant funding based on an amount per PTE for 2-year-olds (both 2-year-olds of working parents and 2 year-olds of FRAS entitlements) and an amount per FTE for under 2 year-olds of working families. In calculating the PTE grant funding values, the local authority will seek to broadly mirror the DfE funding allocation values. However, the local authority reserves the right to adjust the funding values, if required, to remain within the overall grant funding allocation envelope.

5.0 RECOMMENDATIONS

5.1.1 The North Yorkshire Schools Forum is asked:

- i. To note the 2025-26 Early Years DSG allocation and to approve the associated planned expenditure.
- ii. To note the DfE Early Years Expansion Grant 2025-26 and the initial consideration for the allocation of the grant.

SIR STUART CARLTON

Corporate Director – Children and Young People's Service