

<b>Date of meeting:</b>	Thursday 16 January 2025
<b>Title of report:</b>	<b>Early Years Funding Update</b>
<b>Type of report:</b> Delete as required	For information
<b>Executive summary:</b> Including reason for submission	<p>This report considers the following areas:</p> <ul style="list-style-type: none"> <li>• An update on the 2025/26 Early Years Dedicated Schools Grant (DSG) allocation</li> <li>• Schools Forum views on the funding rates to be paid to early years' providers for the funded early years entitlement for 2-year-olds of families receiving additional support, the working parent entitlement for under 2-year-olds, 2-year-olds and 3 &amp; 4-year-olds and the universal entitlement for 3 &amp; 4-year-olds for the 2025/26 financial year</li> <li>• An update on the allocation of the supplementary funding provided for Maintained Nursery Schools for the 2025/26 financial year</li> </ul>
<b>Budget / Risk implications:</b>	<p>The levels of funding delivered by the Early Years National Funding Formula via the Early Years DSG impact on the sustainability of providers of early years education and childcare and on the Council's ability to ensure sufficient places are available for families in line with statutory duties. The funding 'pass through' requirements impact on the services provided by the Council.</p>
<b>Recommendations:</b>	<p>The North Yorkshire Schools Forum is asked:</p> <ol style="list-style-type: none"> <li>To note the 2025/26 Early Years DSG allocation</li> <li>To endorse the proposed early years funding rates for the 2025/26 financial year.</li> <li>To note the position with regard to the provision of supplementary funding for maintained nursery schools for the 2025/26 financial year.</li> </ol>
<b>Voting Requirements</b>	All Schools Forum Voting Members
<b>Appendices:</b>	N/A
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## 1.0 PURPOSE OF THE REPORT

### 1.1. This report considers the following areas:

- An update on the 2025/26 Early Years DSG Allocation.
- Schools Forum views on the funding rates to be paid to early years' providers for the funded early education entitlement for 2-year-olds of families in receipt of additional support, the working parent entitlement for under 2-year-olds, 2-year-olds and 3 & 4-year-olds and the universal entitlement for 3 & 4-year-olds for the 2025/26 financial year.
- An update on the allocation of the supplementary funding provided for Maintained Nursery Schools for the 2025/26 financial year

## 2.0 BACKGROUND

### 2.1 On 10th December 2024, the DfE published details of the 2025/26 local authority early years entitlements funding. The Government funding announcement detailed the following:

- nationally, the final local hourly funding rates for 2025-26 include an average 4.1% increase for the current 3 and 4-year-old entitlement, from £5.88 in September 2024 to £6.12 in 2025-26. Average funding rates for 2-year-olds will be £8.53 per hour (3.3% increase), and average rates for under 2s will be £11.54 per hour (3.4% increase). The local authority funding rates for North Yorkshire are detailed in section 2.4 below.
- an increased minimum pass-through requirement for local authorities in 2025/2026 – the pass-through rate will increase from 95% to 96%
- an expectation that local authorities will announce their funding rates to childcare providers by 28 February 2025. The DfE intend to mandate this as a requirement in the regulations from the financial year 2026/27
- updated special educational needs inclusion fund (SENIF) and disability access fund (DAF) guidance following a review of the DfE's early years SEND funding arrangements; the updated guidance includes an expanded section on expectations around SENIF arrangements, and greater detail on how DAF should be allocated and distributed.
- the early years pupil premium (EYPP) rate will be uplifted from 68p per hour in 2024-25 to £1 per hour in 2025-26, equivalent to up to £570 per eligible child per year.

### 2.2 In respect of the increase to the rate of Employer National Insurance contributions by 1.2 percentage points, to 15%, and a reduction in the Secondary Threshold from £9,100 to £5,000 per year, the DfE have confirmed that public sector employers will be compensated for the increase in their NICs contributions (school-based nurseries and maintained nursery schools), but there will be no additional NICs funding beyond this. In respect of 2025/26 early years funding, the DfE state that *"the funding rates for 2025-26 reflect forecasts of average earnings and inflation next year, as well as the national living wage announced at the Autumn Budget."* The DfE have confirmed that future spending decisions beyond 2025-26 will be announced at the next Spending Review in Spring 2025.

### 2.3 In addition to the published 2025/26 local authority early years funding entitlement rates, the DfE have also announced an additional £75 million revenue grant for 2025-



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26, to support the early years sector as they prepare to deliver the final phase of expanded childcare entitlements from September 2025. At this stage, details on the distribution of the additional funding have not been provided by the DfE.

2.4 The DfE have confirmed the early years local authority funding rates for North Yorkshire for the 2025/26 financial year as follows:

<b>Early Years Phase</b>	<b>2025/26 Local Authority Hourly Funding Rate</b>	<i>2025/26 National Average Hourly Funding Rate</i>	<i>2024/25 Local Authority Hourly Funding Rate</i>
Three and four-year olds	<b>£5.71</b>	£6.12	£5.54*
Two-year olds	<b>£7.74</b>	£8.53	£7.45
Nine months – two years old	<b>£10.48</b>	£11.54	£10.11
Maintained nursery school supplement (three and four-year old universal hours only)	<b>£5.27</b>	£5.90	£4.64

\*Includes £0.07 per hour Early Years Budget Grant for comparison purposes

The national comparison in respect of the 2025/26 early years funding rates for North Yorkshire is as follows:

3 & 4-year-olds: national floor level (50 local authorities)  
 2-year-olds: 137th lowest out of 151 local authorities  
 Under 2-year-olds 136th lowest out of 151 local authorities

2.5 The DfE have confirmed that the local authorities' hourly funding rate for 3 and 4-year-olds in 2025/26 includes the mainstreaming of the additional Early Years Budget Grant (EYBG) funding received by separate grant in the 2024/25 financial year.

2.6 The DfE have confirmed increases for the early years pupil premium (EYPP) and Disability Access Funding (DAF) funding rates will increase, as detailed in the table below:

	2025/26 Funding Rate	2024/25 Funding Rate (April 2024)	Percentage Increase
Early Years Pupil Premium hourly funding rate for eligible children (maximum of 15 hours per week)	£1.00	£0.68	47%
Disability Access Funding (annual rate)	£938	£910	3%

2.7 The North Yorkshire Council 2025/26 proposed early years provider funding rates are scheduled to be considered by CYPS Executive Members on 21 January 2025.

3.0 2025-26 PROVIDER BASE FUNDING RATES

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3.1 Following a principle based early years funding consultation undertaken with the early years sector within North Yorkshire in Autumn 2024, it is recommended to continue to adopt the following principles in respect of the 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.

The following provider base funding rates are proposed for the 2025/26 financial year:

Entitlement	2024/25 Base Provider Funding Rate Per Hour	<b>2025/26 Proposed Base Provider Funding Rate Per Hour</b>	Percentage Increase
3 & 4-Year-Olds – Universal & Working Parent Entitlements	£5.13	<b>£5.36</b>	4.48%
2 Year-Olds – Families Receiving Additional Support & Working Parent Entitlements	£7.01	<b>£7.30</b>	4.14%
Under 2-Year-Olds – Working Parent Entitlement	£9.55	<b>£9.91</b>	3.77%

The proposed funding rates provide a 4.48% (23p / hour) increase on the 3 & 4-year-old funding rate for 2025/26 compared to the September 2024 base provider funding rate (excluding EYBG), a 4.14% (29p / hour) increase on the 2 year-old funding rate for 2025/26 compared to the September 2024 base provider funding rate and a 3.77% (36p / hour) increase on the under 2 year-old funding rate for 2025/26 compared to the September 2024 base provider funding rate.

### 3.2 Deprivation Funding Supplement

The DfE place a mandatory requirement on local authorities to include a deprivation funding supplement in their local early years funding formula for 3 & 4-year-olds. The DfE expect local authorities to ensure funding for deprivation is reflected in their approach to funding for all new entitlements, recognising the additional costs associated with supporting children from disadvantaged backgrounds. The deprivation supplement for children aged two and under is discretionary.

Within North Yorkshire the deprivation funding supplement is paid for all early years' funded entitlements based on the hours attended by the child and a banding using the postcode of the child attending the setting. The methodology used by North Yorkshire

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is based on the Index of Multiple Deprivation (IMD). The IMD combines information from seven domain indices (which measure different types or dimensions of deprivation) to produce an overall relative measure of deprivation.

The deprivation funding rates for the 2025/26 financial year will be unchanged as follows:

<b>Band</b>	<b>2025/26 Deprivation Hourly Funding Rate</b>	<b>IMD Score</b>
Band A	54p	>34.17
Band B	7p	>20 <34.17
Band C	4p	>10 <20

### 3.3 Early Years Special Educational Needs Inclusion Fund

The Local Authority is required to provide a Special Educational Needs Inclusion Fund (SENIF) which is intended to support providers in addressing the needs of children with lower or emerging levels of SEND. The SENIF funding covers early years children of all age groups accessing funded entitlements. The North Yorkshire early years SENIF is funded from the Early Years Block DSG. This has regard to:

- The on-going significant financial pressures on the High Needs budget within North Yorkshire
- The achievement of parity between the schools and early years sectors in respect of funding the support for the children with lower or emerging levels of SEND. Within the schools sector, the funding for this support is provided through individual school budgets by the Schools Block DSG.

The budget requirement from the Early Years Funding for the SENIF is £1.72m; this equates to approximately 2% of the 2025/26 Early Years allocation for funded entitlements.

### 3.4 2024/25 Early Years Budget Grant (EYBG) (September 2024 – March 2025)

The DfE have provided additional grant funding the EYBG to support early years providers with their overall costs, particularly in relation to pay increases, in delivering the Government's early years entitlements in the 2024/25 financial year. The value of the additional grant funding is 7p per hour based on the universal and extended hours for 3 & 4 -year-olds for the period September 2024 to March 2025. Following consultation with the early years sector and approval by CYPS Executive Members, the grant will be passed on to early years providers, based on the DfE grant methodology, through the payment of 7p per hour on the universal and extended hours for 3 & 4-year-olds for the Autumn 2024 and Spring 2025 terms. The EYBG funding has been rolled in to the 3 & 4 year old funding rate paid by the DfE to local authorities for the 2025/26 financial year.

- 3.5 The final Early Years DSG funding allocation for the 2025/26 financial year will be based on five-twelfths January 2025 early years census numbers + seven-twelfths January 2026 early years census numbers for 3 & 4-year-olds (universal hours and working

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parent entitlement), 2-year-old entitlement for families receiving additional support and the MNS supplementary funding allocation. The final funding allocations for the funded entitlements for eligible working parents of 2-year-old children (due to be extended from 15 hours to 30 hours from 1 September 2025), and the funded entitlements for eligible working parents of children from 9 months up to 2 years old (due to be extended from 15 hours to 30 hours from 1 September 2025) will be based on termly headcount data for summer and autumn 2025 and the January 2026 early years census numbers.

#### 4.0 MAINTAINED NURSERY SCHOOLS

4.1 The DfE have previously provided specific supplementary funding for maintained nursery schools (MNS) to enable their 2016/17 funding levels related to the delivery of universal provision to continue to be maintained. This has enabled a higher level of funding to continue to be paid to maintained nursery schools during the period which the supplementary funding is in place. The DfE have confirmed the following MNS supplementary funding arrangements for 2025/26:

- A minimum funding rate £5.27 per MNS 3 & 4-year-old universal entitlement hour and a cap set at £10 per MNS hour, in order to distribute the supplementary funding more evenly between LAs with MNSs. North Yorkshire is receiving the floor level funding rate of £5.27 per MNS hour for three- and four-year old universal provision.
- MNS supplementary funding rates include a notional allocation to acknowledge the additional pressures that their MNSs may face in respect of increases to teachers pay and employer pension contributions.

4.2 The indicative MNS supplementary funding value for North Yorkshire is £452k. The indicative supplementary funding allocation is subject to adjustment at the end of the financial year to reflect the actual three- and four-year old universal hours delivered within the year by the MNS. The funding allocation methodology for the MNS Supplementary Funding Grant is based on:

- £50,000 lump sum per MNS
- The remainder of the funding distributed by:
  - 80% universal 3 & 4-year-old funded hours (termly headcount data)
  - 10% 3 & 4-year-old post code deprivation Band A level (highest level – IMD score >34.17) (January headcount data)
  - 10% 3 & 4-year-olds eligible for Disability Access Funding (DAF) (3 year average)

#### 5.0 2025/26 EARLY YEARS DSG ALLOCATION – PLANNED EXPENDITURE

5.1 A summary of the proposed 2025/26 Early Years DSG allocation is detailed below:

	£'000
<b>Funding Direct To Providers</b>	
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



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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
<b>Sub Total</b>	<b>88,249</b>
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
	<b>90,909</b>
<b>Funded By:</b>	
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
EY Disability Access Fund (all entitlements)	47
Maintained Nursery Schools (MNS) Supplementary Grant adjustment	-7
<b>Total Early Years DSG</b>	<b>90,909</b>

- 5.2 The final figures in relation to the funding to Early Years Providers and the DSG allocation are subject to in-year adjustments to reflect actual hours delivered during the year. In respect of the 3 & 4-year-old universal and working parent entitlements and the families receiving additional support 2-year-old entitlement, the final funding allocations for 2025/2026 will continue to be based on five-twelfths of January 2025 child numbers (to cover the April 2025 to August 2025 period) and seven-twelfths of the January 2026

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child numbers (to cover the September 2025 to March 2026 period), to acknowledge any in-year change in child numbers. In respect of the two new working parent entitlements, the basis for the funding allocations in 2025/2026 will be an initial indicative allocation based on DfE’s estimated take-up numbers for the new working parent entitlements; final allocations will be adjusted on the basis of actual take-up for each term, collected through 2 additional headcounts that the DfE are requiring local authorities to undertake in the 2025 summer and autumn terms and through the January 2026 census

5.3 The 2025/26 rates for the other funding elements are based on the DfE funding rates, as follows:

Funding Element	DfE Funding Level
Early Years Pupil Premium	£1.00 / Per Hour (3 & 4-year-old Universal Hours, 15 hours families receiving additional support 2-year-old entitlement, 15 hours working parents 2-year-old and under 2-year-old entitlements)
Disability Access Funding	£938 per annum per eligible child (all entitlements)

**6.0 CENTRALLY MANAGED SERVICE PROVISION RELATED TO EARLY YEARS**

6.1 As stated above, the local authority is allowed 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 c3% retention of early years funding to support the provision of centrally managed services related to early years in the 2024/25 financial year.

6.2 In respect of the 2025/26 financial year, the local authority is proposing to retain c2.97% of the funded entitlements Early Years DSG funding for the provision of centrally managed early years services. This proposal seeks to:

- 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 as a result of the expansions of funded entitlements for working parents.

6.3 A breakdown of the centrally retained service provision planned expenditure to be funded from the early years DSG funded entitlements will be reported to the March 2025 meeting of the Schools Forum.

**7.0 RECOMMENDATIONS**

7.1 The North Yorkshire Schools Forum is asked:

- i. To note the 2025/26 Early Years DSG allocation





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- ii. To endorse the proposed early years funding rates for the 2025/26 financial year.
- iii. To note the position with regard to the provision of supplementary funding for maintained nursery schools for the 2025/26 financial year.

Sir Stuart Carlton

Corporate Director – Children and Young People's Service