

Report subject	Early Years Single Funding Formula 2025-26
Meeting date	18 November 2024
Status	Public Report
Executive summary	<p>Based on a principle-based consultation, this report sets out a recommended early years single funding formula (EYSFF) for the financial year 2025/26. The recommendation demonstrates a balanced position of the funding available for distribution to the early years sector. It includes support for disadvantaged children and those with additional needs and funding required for central council functions.</p> <p>A principles-based consultation reflects that the Department for Education has yet to release local authority funding rates. It is anticipated that details will be announced by mid-December. In the meantime, the council has held a consultation following agreement from the Early Years Sub-Group that an early principle-based consultation with the sector is preferred (i.e. as opposed to waiting for the DfE announcement). Consultation with the sector was held during October and closed on 5 November. 12% of providers engaged with the consultation. Overall, early years' providers are supportive of the proposed principles set out for the 2025/26 EYSFF. The consultation response is contained in Appendix A.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>Schools Forum recommend the principle-based proposal for the 2025-26 EYSFF to Council.</p>
Reason for recommendations	The Council is required to consult Schools Forum on the local funding formulae for early years.
Portfolio Holder(s):	Councillor Richard Burton, Children and Young People
Corporate Director	Cathi Hadley, Corporate Director Children's Services
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Wards	Council-wide
Classification	For Recommendation

Background

1. At the time of writing, the local authority hourly rates for 2025-26 had not yet been confirmed by the government.
2. With very little year on year change proposed, a principle-based consultation with the Early Years sector was held between 16 October and 5 November 2024.
3. From April 2024 working parents of 2-year-olds have an entitlement to 15 hours per week childcare funding, increasing to 30 hours from September 2025. This is a brand-new entitlement aimed specifically at working families that fulfil eligibility criteria.
4. From September 2024 working parents of 9-month-old children have an entitlement to 15 hours per week of childcare funding, increasing to 30 hours per week from September 2025.
5. Disadvantaged 2-year-olds continue to be eligible for 15 hours per week in 2025-26.
6. The early years block is distributed according to a national funding formula (NFF) with funding allocated to the local authority in accordance with the School and Early Years Finance and Childcare (Provision of Information About Young Children) (Amendment) (England) Regulations 2024. The regulations impose some restrictions on how the funding can be allocated to early years providers, as well as detailing the central expenditure that can be charged to the grant within the block.
7. Included within the DSG, but outside the early years funding formula are:
8.
 - a. early years pupil premium (EYPP) for eligible children
 - b. disability access fund for one off payments to settings for eligible children

Early Years Single Funding Formula (EYSFF)

9. The Council is required to operate an EYSFF for all providers. The formula is applicable for 9-month, 2-, 3- and 4-year-old entitlements to childcare places delivered in pre-schools, day nurseries, independent schools, childminders, and in nursery classes within a small number of schools.
10. The formula for 3- and 4-year-olds is to include a universal base rate for all providers and a mandatory deprivation supplement to differentiate funding.
11. The formula for 2-year-olds includes a base rate for all providers and a discretionary deprivation supplement to differentiate funding between a disadvantaged 2-year-old and a working parent 2-year-old.
12. The formula for under 2's includes a base rate for all providers and a discretionary deprivation supplement to differentiate funding between a working parent and a working parent eligible for EYPP.
13. The formula must include a SEND Inclusion Fund (SENIF). The SENIF provides additional funding to support children with additional needs and must be applied across all age groups.
14. SENIF is not provided under the statutory framework for EHCPs. Any EHCPs for children in the early years age groups are funded by the high needs block following statutory processes in addition to the inclusion fund within the EYSFF.

Consultation for 2025-26

15. Initial consultation took place with provider representatives in a sub-group of the Schools Forum to help shape the wider consultation with the sector.

16. The DfE was not able to confirm the date that local authority funding rates will be released, which could be anywhere between mid-October and mid-December. With no fundamental changes proposed for the EYSFF the Early Years Sub-Group have indicated that an early principle - based consultation is preferred over waiting for the DfE announcement and potentially consulting over the Christmas period.
17. In partnership with this group the Council recommended the following to the sector:
- allocating a portion of any additional DfE funding towards appropriately rightsizing the SENIF based on expected demand at current rates for the 2025-26 financial year.
 - Following any need from the SENIF pot, any additional government funding thereafter, compared with 2024-25 government funding rates, will be added to the base rate for the respective under 2's, 2-, 3- and 4-year-olds.
 - The Early Years Single Funding Formula consultation paper was distributed via email to 279 childcare providers within BCP on 16 October 2024 with responses requested by 5 November. 2 virtual consultation briefing events were held on 22 October. 12% of the sector provided feedback (34 responses).
 - 12% of the sector provided feedback (34 responses) and the outcome paper (see Appendix A) shows an overall approval for both proposals mentioned in point 16.
 - Councils are permitted to retain up to 4% of the EYSFF for central services such as administering the entitlement and providing support to providers and systems to operate the funding claims. For 2025-26 the funding to be retained by the Council will remain at 2.5%
 - Due to the introduction of new early education entitlements from April 2024 and a change in census collections (three as opposed to one), the contingency at the rate of approximately 1% will remain in place for 2025-26. This funding will be reserved to mitigate against any overspends in either age group (including any change to forecast SEND pressures).
 - This means that from the EYSFF an overall 3% of funding is not immediately available for providers.

Proposed EYSFF 2025-26 for Council Decision

18. It is proposed that any increase to the funding rates paid to BCP will be used as follows:
- Firstly; sufficient funding will be allocated to the SENIF (at the current rates of tier funding) to ensure the forecast increased demand is met
 - any remaining government funding thereafter, compared with 2024-25 government funding rates, will be added to the base rate for the respective under 2's, 2-, 3- and 4-year-olds.
 - In the unlikely event that there is insufficient funding to rightsize the SENIF, it is proposed to reduce the base rate.
19. Using the most current data the Council intends to model the estimated additional funding needed to right size the SENIF for 2025-26, with all remaining funding then allocated to the base rates.
20. As we do not yet know the funding settlement amount, we are not able to supply a proposed EYSFF, but ask that approval is given based on the principles, supported by the sector, in 22.
21. For information, the table below shows the current 2024-25 EYSFF, per age group.

Table 1.

3 and 4 year olds Funding Elements	2024-25		Note
	Allocation from Funded Rate*	EYSFF Provider Rate for approval	
Base Rate	£5.10	£5.10	Every child
Deprivation	£0.08	£0.33	Per eligible child
Inclusion Fund	£0.22	£2.43 / £4.86 / £7.49	Per eligible child
Central Functions	£0.14		
Contingency	£0.06		
DSG Funding per hour	£5.60		

** the shaded grey allocations from the DSG funding levels are shown
for context, some rounding may occur*

2 Year Old Funding Elements	2024-25		Note
	Allocation from Funded Rate*	EYSFF Provider Rate for approval	
Base Rate	£7.25	£7.25	Every child
Deprivation	£0.16	£0.65	Per eligible child
Inclusion Fund	£0.32	£2.43 / £4.86 / £7.49	Per eligible child
Central Functions	£0.20		
Contingency	£0.00		
DSG Funding per hour	£7.92		

** the shaded grey allocations from the DSG funding levels are shown
for context, some rounding may occur*

Under 2's Funding Elements	2024-25		Note
	Allocation from Funded Rate*	EYSFF Provider Rate for approval	
Base Rate	£9.88	£9.88	Every child
Deprivation	£0.08	£0.33	Per eligible child
Inclusion Fund	£0.43	£2.43 / £4.86 / £7.49	Per eligible child
Central Functions	£0.27		
Contingency	£0.11		
DSG Funding per hour	£10.77		

** the shaded grey allocations from the DSG funding levels are shown
for context, some rounding may occur*

Deprivation eligibility is determined as follows:

- **3- and 4-year-olds** the supplement is added for those children that had formerly accessed disadvantaged 2 year old funding or those that are currently eligible for EYPP. The supplement is added only to the funding rate of the entitled child.
- **2-year-olds** the supplement is added for those children that qualify as a disadvantaged 2 year old, or those that are currently eligible for EYPP. The supplement is added only to the funding rate of the entitled child.
- **Under 2-year-olds** the supplement is added for those children that are currently eligible for EYPP. The supplement is added only to the funding rate of the entitled child.

SEND inclusion is funded as follows:

(All age groups) Providers are funded per hour for all early entitlement hours accessed, based on three levels of need which is determined by a weekly panel of special education needs officers. Tier 1 at £2.43, Tier 2 at £4.86 , tier 3 at £7.49.

Options Appraisal

22. Proposals were considered in the consultation processes with the early years sector and the sector supported the Council's proposal.

Summary of financial implications

23. The early years formulae are set within the funding envelope of the DSG and therefore have no impact on the general fund.

Summary of legal implications

24. The consultations undertaken and the formulae recommendations are compliant with the School and Early Years Finance and Childcare (Provision of Information About Young Children) (Amendment) (England) Regulations 2024.
25. Funding rates for early years in 2025-26 must be provided to the sector by 31 March 2025.

Summary of human resources implications

26. There are no human resources implications for the Council. Any implications from funding levels are for early years providers.

Summary of sustainability impact

27. None.

Summary of public health implications

28. Should appropriate funding not be allocated to meet the needs of pupils with SEND within BCP, there may be health and well-being implications for this group of the population leading to reduced health equalities locally.

Summary of equality implications

29. An equalities impact assessment has not been undertaken. The DfE undertake equality impact assessments in determining the structure of the funding formulae and how funding is to be allocated. The local formulae are aligned with the national schemes.

Summary of risk assessment

30. There are no risks to the Council from the implementation of the funding formula within the Regulations and published guidance.

Background papers

None

Appendices

Appendix A: Proposed Changes to the Early Years Single Funding Formula for the Free Early Entitlements for April 2025 – March 2026: Outcomes of the Consultation report.'