

Briefing note

Item 2b – Annex D – Early Years Block Funding 2024/25.

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1 Purpose

- 1.1 To advise the Schools Forum of the Early Years (EY) block funding for the financial year 2025/26.

2 Recommendations

- 2.1 To **note** the final Early Years central expenditure budget for 2025/26, as agreed at the 12 December 2024 schools forum meeting.
- 2.2 To **vote** on the additional early years central spend request based on the updated allocations (section 4).
- 2.3 To **note** the remainder of the Early Years budget for 2025/26.

3 Early Years Provision – 9 Months+, 2, 3 and 4 Year Olds

- 3.1 Since its introduction in April 2017, the Early Years National Funding Formula (EYNFF) has set the hourly funding rates that each local authority is paid to deliver the universal and additional entitlements.
- 3.2 The DfE funding allocation is based on a core rate per hour for under 2's, 2 year olds of families receiving additional support, 2 year olds from working families and 3 and 4 year olds, from September 2025 this will include up to 30 hours per week. This funding however must cover all of the formula elements including deprivation, the quality supplement, central costs, plus allow for volatility in take up. MK is a growing city which will always impact us in a lagged funding system. For 2025/26 there is a funding rate increase of £0.31 for under 2's, £0.25 per hour for 2 year olds and £0.25 per hour for 3 and 4 year olds compared to the April 2024 rates. The LA hourly funding rate is shown in the following table:

Table 1: LA Funding Rates:

	2024/25	Increase 2025/26	Total 2025/26
LA Hourly Funding Rates	£	£	£
3-4 Year Olds	6.11	0.25	6.36
2 Year Olds - Families Receiving Additional Support	8.60	0.25	8.85
2 Year Olds - Working Families	8.60	0.25	8.85
Under 2s	11.70	0.31	12.01

- 3.3 Local authorities with Maintained Nursery Schools (MNS) will continue to receive supplementary funding in 2025/26. This funding is provided in order to enable local authorities to protect their 2016/17 funding rates for MNS (the rates that existed before the EYNFF) and the Government expects it to be used this way. The MNS 2025/26 allocations use the part time equivalent (PTE) pupil counts from the January 2024 school census for maintained nursery schools. The total allocation for 2025/26 is provisionally £0.270m (2024/25 £0.238m).
- 3.4 The EY Pupil Premium (EYPP) gives providers additional funding to support disadvantaged pupils. In 2023/24 this funding was for 3 and 4 year olds only but from 2024/25 this has been for all of the entitlement groups, funding for 2025/26 is £0.312m (2024/25 £0.208m). This is payable at a rate of £1.00 per hour (2024/25 £0.68 per hour) per eligible child up to a maximum of 570 hours per year. The calculation is based on the January 2024 census and these indicative allocations will be reviewed in Spring 2025.
- 3.5 The Disability Access Fund (DAF) was introduced in April 2017 to support disabled 3 and 4 year old children access their entitlement. In 2023/24 this was for 3 and 4 year olds only but from 2024/25 this will be for all of the entitlement groups, the funding for 2025/26 is £0.218m (2024/25 £0.176m). Providers will receive £938 (2024/25 £910) per eligible child per year, but this must be claimed and is not paid out automatically.
- 3.6 The block allocation is usually based on the actual numbers of children participating on the January count days apportioned across the two academic years (5/12 and 7/12 respectively). However while the new entitlements continue to embed, the termly head counts will continue for 2 year olds, under 2s and EYPP for the funding in 2025/26.
- 3.7 The budget for the EY Inclusion Fund will be £0.545m, this is the same amount as in 2024/25. The 2025/26 funding will be paid to settings based on an hourly rate of £13.55 per hour, this is a 3% increase compared to the 2024/25 rates of £13.16. This rate is in line with the rate now paid for mainstream top ups.
- 3.8 The provisional allocations (as outlined in the DfE settlement) will be used for the purpose of setting the 2025/26 budget. Whilst changes in take up will affect the income budget, reductions in the expenditure budget would then be expected. The table below shows the budget breakdown for early years:

Table 2: Early Years Budget

Early Years Budget	Budget	Forecast	Budget
	2024/25	2024/25	2025/26
	£m	£m	£m
3&4 year olds	21.288	20.028	20.777
2 year olds - receiving additional support	3.009	3.062	3.136
2 year olds - working parents	5.542	5.491	8.735
Under 2s	3.854	4.567	13.025
MNS supplementary funding	0.214	0.238	0.270
Pupil premium	0.172	0.208	0.312
Disability access Fund	0.176	0.176	0.218
Inclusion fund	0.545	0.476	0.545
Central expenditure	0.641	0.641	1.132
Total	35.441	34.887	48.150

4 Central Expenditure

- 4.1 The total central funding agreed at the 12 December 2024 Schools Forum for 2025/26 is £1.032m (2024/25 £0.641m) to cover the administration of the funding, quality and improvement (including training for providers), early intervention, access to early years education, supporting inclusion and ensuring children are school ready. For 2025/26, there is a net increase of £0.391m, the expanded entitlements have required the LA to take on more responsibilities and manage increased workload across the various services who support the early years sector, and this has been reflected in costings for 2025/26, this also includes inflationary uplifts to pay and changes to national insurance. However there is an additional request to increase the early years central expenditure by a further £0.100m, to cover a higher proportion of the increased local authority core staffing costs due to the expansion of the entitlements.

Early Years Central Budget	2024/25 £m	2025/26 £m	Change £m
Core staffing	0.595	0.986	0.391
Early years Quality Improvement Practitioners	0.012	0.012	0.000
Marketing, communications and professional engagement	0.010	0.010	0.000
EMA consultant	0.024	0.024	0.000
Total Central Budget	0.641	1.032	0.391

- 4.2 Holding some of the funding centrally will also mean that the impact of any reductions in take up (and therefore reducing income) can first be achieved by reducing central budgets as opposed to increasing provider rates but then needing to decrease them at a later date. This is a particular risk given the volatility of take up in the block.
- 4.3 From 2025/26 local authorities are required to pass-through 96% of all of their age group entitlement to providers. The pass-through rate for 2025/26 is 97.61% (2024/25 98.2%). Through the response to the Early Years consultation the DfE have said that once the new entitlements are fully established they will raise the pass-through rate to 97%, there is no indication yet of when that will be however Milton Keynes are currently meeting that threshold.

5 Provider Rates

- 5.1 For 3 and 4 year olds the rate will be paid at £5.73 per hour, an increase of £0.23 per hour from the 2024/25 rate. The same rate will be payable to all provider types.
- 5.2 For 2 year olds, the rate will be paid at £8.03 per hour, an increase of £0.23 per hour from the 2024/25 rate. The same rate will be payable for 2 year olds – from working families and 2 year olds from families receiving additional support and to all provider types.
- 5.3 For under 2s the rate will be paid at £11.24 an increase of £0.28 per hour from the 2024/25 rate. The same rate will be paid to all provider types.
- 5.4 The above increases represent the full local authority percentage increase being passed through to providers.

Hourly Provider Rates	2024/25 £	2025/26 £	Change £
3-4 Year Old (Universal)	5.50	5.73	0.23
3-4 Year Old (Extended)	5.50	5.73	0.23
2 Year Old (Receiving Additional Support)	7.80	8.03	0.23
2 Year Old (Working Parents)	7.80	8.03	0.23
Under 2s	10.96	11.24	0.28

- 5.5 A deprivation allowance will continue to apply to all age entitlements. The funding rate will be in addition to the main provider hourly rate and will be tiered dependant on the provider's level of deprivation:
- 80% or more pupils are from a deprived postcode £0.72 per hour
 - 60% or more pupils (but less than 80%) £0.56 per hour
 - 40% or more pupils (but less than 60%) £0.42 per hour