

2025/26 Early Years Briefing January 2025

National Funding and H&F Funding Model



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Education

Agenda

- Introductions & purpose of workshop
- Update following funding and Early Years Operational Guidance issued by The Department of Education before Christmas.
- Early Years DSG – summary of different elements and funding rates to early years providers from April 2025
 - Proposed 3 and 4-year-olds funding 25-26
 - Proposed 2 year old funding 25-26
 - Proposed under 2 year old funding 25-26
- Proposals to Schools Forum 21st January 2025
- Next Steps Q&A – early years funding

Early Years Funding – 8 Elements

- Universal & targeted entitlement for 3 & 4-Year-Old.
- 2-year-old offer for families receiving additional support (previously known as disadvantaged 2-year-old offer).
- Working Parent 2-year-old offer
- Working Parent 9 months to 2-YO
- Early Years (EY) Pupil Premium - additional funding for disadvantaged children was extended to all the Early Years offers from 2024/25.
 - In 2025/26 (from April 2025) this will be paid as a top up of £1.00 per hour up to a maximum of £570 per year (38 weeks).
 - This is a 50.5% increase on the 2024/25 funded rate.
- Disability Access Fund - additional per pupil funding for those receiving Disability Living Allowance to access all EY entitlements.
 - *Funding paid to providers will be £938 per eligible pupil per annum (2024/25 rate was £910).*
- Maintained Nursery School Supplementary Funding
 - additional funding for maintained nurseries only provided by the National Funding Formula.

Summary of Funding Rates 2025/26

Payable from April 2025



	25/26	25/26	25/26
	3 and 4 YO Entitlements (Universal & Extended)	2 YO Entitlements (Working Parents & Additional Support)	Under 2 YO Entitlements (Working Parents)
	£ per hour	£ per hour	£ per hour
A. Base Rate - Participation based on estimated hours	6.72	10.05	14.39
B. Average Deprivation Supplement - Participation based on estimated hours Paid on IDACI sliding scale on post codes – see next slide	0.72	0.87	0.77

Deprivation supplements all offers



IDACI Band	Proposed 2024/25 hourly rate
1	1.33
2	1.23
3	1.12
4	1.02
5	0.92
6	0.40
7	0.20
8	0.05
9	0.00
10	0.00

IDACI Banding Rates 2025/26 Across All Entitlements per funded Hour - Unchanged Versus 2024/25

Funding Principles

How Does Funding Work and How is it Paid?

- Funding for entitlements is based on part time equivalent hours (PTE) which is 15 hours across 38 weeks of the year (570 hours per year)
- A 30 hours entitlement would equate to 1,140 funded hours per year.
- Providers may wish to consider their charging structure in light of expanded entitlements and government funding in 2025/26.
- Funding is paid termly with 12.66 weeks per term.
- Funding is provided by financial year April to March (not calendar or academic year)
- There is a termly Department for Education headcount to facilitate funding of the entitlements. Accurate and timely data submissions are critical to accurate payments.
- Payments are made on estimates termly in advance with adjustments made following termly headcount and validated codes.

3 and 4 –year-old funding: Key Changes

- Government Funding under the National Funding Formula increased by 16p per hour from April 2025 and allocated through:
 - An increase base rate by 4p per hour to £6.72 per hour from April 2025 (a year-on-year increase of 0.6%)
 - 12p per funded hour for mainstreamed teachers pay grants to primary schools – to be paid through the quality supplement.
- Budgeted average deprivation supplement rate remains at £0.72 per hour) to remain within regulation of 12% maximum supplements.
- SEN Inclusion Fund (SENIF) maintained at 4% of government funding in 2025/26.
- Reduction in contingency and central expenditure budget allows sector support for Early Years Inclusion Support Services to be maintained and delivered from Maintained Nursery Schools from April 2025.
 - Central expenditure is limited to 4% from April 2025, a reduction of 1% year on year. Passthrough requirement has increased from 95% to 96%

2-year-old funding: Key Changes

- Two government funded offers:
 1. Offer to families receiving additional support (formerly called the Disadvantaged 2-year-old offer) remains at 15 hours.
 2. Working parent entitlement increases to 30 hours from September 2025.
- Both offers require a local formula which may include supplements. The H&F model proposes to continue to use deprivation supplements.
 - single base funding rate of £10.05 per hour from April 2025 (an increase of 69 pence per hour versus 24/25 and a year-on-year increase of 7.37%)
 - deprivation supplement for both offers – use proposed IDACI bands for 3 and 4 YO offer – averages £0.87 per hour across both offers (average of £0.97 for Additional Support Cohort)
- SEN Inclusion Fund budget (SENIF) increase to allow for expanded entitlements at 4% of government funding.
- Central spend reduced to 4% of government funding in line with National Funding Formula for Early Years.
- Contingency budget reduced as new entitlements embed.

Under 2s offer for Working Parents – key changes

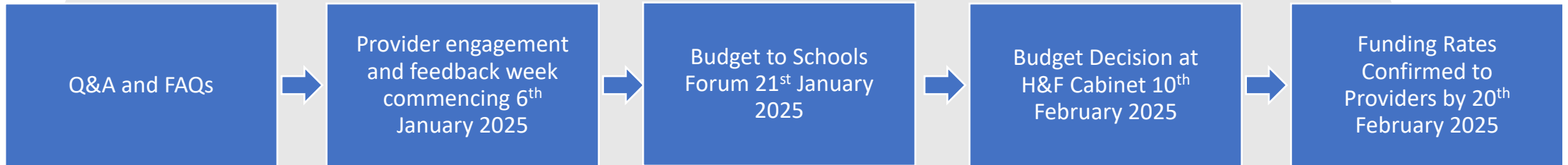
- requires a local formula which may include supplements
- 15 hours from September 2024 for children 9 months to 2 years. Increases to 30 hours from September 2025.
 - base funding rate of £14.39 per hour from April 2025 (an increase of 94 pence per hour versus 24/25 and a year-on-year increase of 6.99%)
 - deprivation supplement– use proposed IDACI bands for 3 and 4 YO offer – averages £0.77 per hour
- SEN Inclusion Fund (SENIF) budget increase to allow for expanded entitlements at 4% of government funding.
- Central spend reduced to 4% of government funding in line with National Funding Formula for Early Years.

Central Budget 2025/26 Proposed

Capped at 4% (reduced from 5%)

Item of Central Expenditure	25/26 £m
Education Early Years Services	0.418
Help and Support for Families in Need	0.237
Finance	0.076
Business Intelligence incl. census support	0.063
Total Central Spend	0.794

Next Steps



Government funding rates provided before Christmas are final for 2025/26

Providers should plan using the H&F funding rates shared pending formal confirmation next month

Please provide feedback in the chat for FAQs

Feedback from the sector will be reported to Schools Forum on 21st January. Please provide feedback on the proposed budget by Tuesday 14th January.

Questions?

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