



7. Early Years Funding Formula 2025-2026

Report to:	Schools Forum
Date of Meeting(s):	16 January 2025
Report of:	Colette Dutton: Director Children and Families
Contact Officer:	Mark Rotheram – Strategic Finance Manager Cath Pealing – Assistant Director of Education
Summary:	To update Schools Forum on the Early Years DSG allocation for 2025-2026
Recommendation(s):	For Schools Forum members to note the contents of the report and agree the proposed rates and level of central spend.
Implications: What are the financial implications? What are the staffing implications?	Contained within the report. There are no currently identified staffing implications resulting from this report.
Risks	Contained within the report.

Please list any appendices:

1. Introduction

- 1.1 As part of the Spring Budget in March 2023 the Government announced plans for reforms to childcare to support parents to return and stay in work, which will be transformative for parents, children and the economy.
- 1.2 The early education entitlements are;
 - 15 hours entitlement for eligible working parents of children from 9 months up to 2 years old children which is due to be extended to 30 hours from September 2025.
 - 15 hours entitlement for eligible working parents of 2 year old children which is due to be extended to 30 hours from September 2025.
 - 15 hours entitlement for families of 2 year old receiving additional support (formerly known as the 2 year old disadvantaged entitlement).
 - Universal 15 hours entitlement for all 3 and 4 year olds.
 - Additional 15 hours entitlement for working parents of 3 and 4 year olds.
- 1.3 The early years national funding formula for 3- and 4-year olds consists of a universal base rate including factors for additional needs, using measures of free school meals; disability living allowance, English as an additional language and teachers' pay and pension and National Living Wage (NLW) increases. The formula also includes an area cost adjustment multiplier to reflect variations in local costs. This uses the General Labour Market measure to indicate staff costs and Nursery Rates Cost Adjustment (NRCA) to indicate cost of premises.
- 1.4 The national funding formula for children aged 9 months up to (and including) 2 year olds which includes an additional needs factor using the same proxy measures as the current 3 and 4 year old formula, with the addition of an additional proxy measure derived from the income deprivation affecting children index (IDACI) which, along with free school meals (FSM) data, is used to reflect the different levels of deprivation across the country.
- 1.5 Early Years Pupil Premium (EYPP) is payable to eligible children accessing the universal 15 hours entitlement for all 3 and 4 year olds and children aged 9 months up to (and including) 2 year olds regardless of which entitlement they are accessing up to 15 hours entitlement.
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- 1.6 Disability Access Fund (DAF) was introduced to support disabled children's access to early years entitlement. DAF is payable if a child is in receipt of Disability Living Allowance (DLA) and is receiving either the universal 15 hours entitlement of 3 and 4 year old; the 15 hours entitlement for children aged 2 years receiving additional support or working parents or 15 hours entitlement for children aged 9 months to 2 years of eligible working parents.

2. Funding

- 2.1 For the financial year 2025 to 2026 Wigan's Early Years Block allocation is £56,369,716. The basis of this funding includes 3 separate hourly funding rates as follows:
- An hourly funding rate for 3 and 4 year olds for the universal and additional hours entitlements.
 - An hourly funding rate for both 2 year old entitlements which will be the same for families of 2 year olds receiving additional support and eligible working parents of 2 year olds.
 - An hourly funding rate for children aged 9 months up to 2 years for the eligible working parent entitlement.
- 2.2 The 3 / 4 year old formula rate for 25/26 is £5.83 per hour which is an increase of £0.28 when compared to the 24/25 formula rate of £5.55 per hour.
- 2.3 The 2 year old formula rate for 25/26 is £8.20 per hour which is an increase of £0.35 when compared to the 24/25 formula rate of £7.85 per hour.
- 2.4 The 9 months up to and including 2 year olds a formula rate for 25/26 is £11.15 per hour which is an increase of £0.46 when compared to the 24/25 formula rate of £10.69 per hour.
- 2.5 The 25/26 funding for EYPP has increased from £0.68p to £1.00 per hour and is payable for the first 15 hours for eligible children aged 9 months to 3 / 4 year olds to ensure we continue to provide support for families receiving additional support. Local authorities must fund all eligible early year's providers in their area at the national rate of 1.00 per hour per eligible pupil up to a maximum of 570 hours (£570.00 per year).
- 2.6 The 25/26 annual funding rate for DAF has increased to £938 when compared to the 24/25 rate of £910.
- 2.7 It is also our proposal to retain the current free school meals rate of £2.50 per meal.
- 2.8 In the Summer of 2023, the previous Government consulted on the minimum pass-through requirement and outlined their intention to increase this from 95% to 97% once the new entitlements were sufficiently embedded. This was to ensure that most of the government funding reaches providers so that they can deliver the government's entitlement offers. Initial steps are now being introduced by way of increasing the minimum pass-through requirements for local authorities from 95% to 96% for 2025 to 2026 and will apply separately to the entitlement for;
- 9 month old children up to 2 year olds of eligible working parents
 - 2 year old children of eligible working parents
 - 2 year old children from families receiving additional support
 - 3 and 4 year olds (universal and additional hours)

- 2.9 For 2025-26, Wigan's recommended pass-through rates are detailed in the table below:

Entitlement	Pass-through Rate	Retained by Local Authority
9 mths old up to 2 year old working parents	97.31%	2.69%
2 year old children of working parents	97.31%	2.69%
2 year old children (families receiving additional support)	97.31%	2.69%
3 and 4 year olds (universal and additional hours)	97.32%	2.68%

3. Our Proposals

- 3.1 In order to continue to recognise the challenging financial environment by the sector and based on the pass through rates detailed above, the following rates are proposed which represent a 5% increase on 2024/25 hourly rates;

Entitlement	2024/25 Hourly Rate	2025/26 Hourly Rate
9mth – 2 yr old	£10.37	£10.85
2 yr old working parent	£7.53	£7.92
2 yr old – families receiving additional support	£7.53	£7.92
3 / 4 yr old (Univ & Add)	£5.24	£5.50

- 3.2 In addition to the above rates it is proposed that the deprivation supplement is continued to be paid to both 3 and 4 year olds for the universal element and 2 year old receiving additional support (£0.33 per hour) which will provide an additional funding of £188.10 per year.
- 3.3 **Maintained Nursery Schools (MNS)** – The indicative allocation for Wigan for April 2025 to March 2026 is £373,085. To calculate the 2025 to 2025 pre-protection MNS supplementary funding rates, first the

2024 to 2025 pre-protection rates (which include the teachers' pay and pension funding rolled-in in 2024 to 2025) are uplifted by the 3 and 4 year old cost pressure, 2.78%. On top of this, the 2025 to 2026 teachers' pay notional rates are added on. The indicative allocation is based on the number of part-time equivalents (PTEs) taking up the universal 15 hours in MNS as recorded on the January 2024 schools, early years and AP censuses. The final allocations will be based on 5/12ths of the January 2025 PTE census numbers and 7/12ths of the January 2026 PTE numbers.

3.4 The retained funding will continue to be used to support staff for the delivery of the Council's Early Years function, this includes;

- Supporting the continuing increase in demand for additional SEND support
- Contribution towards the raising attainment team, inclusion team, operational team and finance team
- Quality Assurance
- Training
- Speech and Language
- Safeguarding
- Sufficiency

4. Conclusions

4.1 Forum members to note the contents of the report.

4.2 Forum members to agree to the rates proposed for 9 months upto 2 year olds, 2-year olds, 3 / 4-year olds and the retention for central services.