

Wiltshire Council

**Early Years Reference Group
9 January 2025**

**Schools Funding & SEN Working Group
14 January 2025**

**Schools Forum
23 January 2025**

**DEDICATED SCHOOLS GRANT – EARLY YEARS BLOCK UPDATE 2025-26
(PROVISIONAL ALLOCATIONS)**

Purpose of the Report

1. To update the working groups and Schools Forum on issues related to the early years block for 2025-26 and the decisions that will need to be made as part of the budget setting process for 2025-26.
2. The operational guidance for the early years block confirms that representatives of the sector and Schools Forums must be consulted on changes to local early years funding formulae, including agreeing central spend, although the final decision rests with the local authority. This is done through the Early Years reference group and the Schools Funding & SEN Working Group in addition to Schools Forum.

Main Considerations

3. In the 2021 Spending Review, and Spring budget of 2023 a number of national increases to increase early years were detailed including increased funding rates and extensions to the age entitlements for parents of eligible children. The full year impact of these is now complete for the 2025-26 financial year.
4. The new and expanded entitlements are in their infancy. To reflect the changing nature of anticipated take up by parents and carers, the DfE have changed their funding methodology both in terms of data sources and methodology. The universal and additional entitlements for 3- & 4-year-old children and families of 2-year-olds receiving additional support will continue to be collected from the January 2025 and 2026 censuses. The local authority will be expected to collect data from an additional two headcounts for working family under 2s and 2-year-old funding and funding will be allocated termly, based on updated data. The aim being this should protect us from under / over funding in the early period.
5. In order to follow the accounting concept of prudence, the budget must be set within initial allocations.
6. The provisional early years block settlement for Wiltshire for 2025-26 is £76.914 million and is comprised of the following elements:

FUNDING from the DfE	PTE (unless*)	<i>2024-25 Funded Rate/Hr (unless *)</i>	2025-26 Funded Rate/Hr (unless *)	£ million
3 & 4-year-old Universal 15 hrs & Working Parents 15 hrs	10,233	£5.47	£5.71	33.304
2-year-old funding - families receiving additional support (previously disadvantaged)	666	£7.48	£7.76	2.947
2-year-old funding	3,652	7.48	£7.76	16.155
Under 2-year-old funding	3,978	10.14	£10.48	23.765
Early Years Pupil Premium * (<i>per child per hour</i>)	650	£0.68	£1.00	0.370
Disability Access Fund * (<i>per child per annum</i>)	396	£910	£938	0.371
Total “Initial” or provisional allocation for 2025-26				76.914

7. The *Early years entitlements: local authority funding operational guide 2025-26* was published in December 2024. The key points on local authority funding of providers remain as previous years with the following changes in addition to the funding changes outlined:

- An increased minimum pass-through requirement for local authorities in 2025 to 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 – this will be mandated from the financial year 2026 to 2027.
- Changes to the special educational needs inclusion fund (SENIF) and disability access fund (DAF) including expanded expectations around SENIF arrangements and greater details in how DAF should be allocated and distributed with no financial impact for the purposes of this report.

Increased minimum pass-through requirement

8. Following a national consultation the first steps have been taken to increase the rate and this is proportionate to the increased sums in the early years block. The 96% rate has to be applied separately to each of the following:

- 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)

9. The 96% includes

- base rate funding for all providers
- supplements for all providers
- lump sum funding for MNS (this applies to 3 and 4-year-olds only, please note any funding from DfE’s MNS supplementary allocation will be excluded – see below)
- the funding paid directly to providers from the SENIF (this includes funding drawn from both the early years block and the high needs block)
- contingency funding

10. The remaining 4% can include the following:

- base rate funding for all providers
- supplements for all providers
- lump sum funding for MNS (this applies to 3 and 4-year-olds only, please note any funding from DfE's MNS supplementary allocation will be excluded – see below)
- the funding paid directly to providers from the SENIF (this includes funding drawn from both the early years block and the high needs block)
- contingency funding

Announcing the Funding Rates

11. The local authority currently issues rates for guidance only once Schools Forum has met and finalises once Full Council have met. Wiltshire is fully compliant with the date set and the new expectation will have no impact.

Setting a local formula

The following criteria are in place for setting a local formula

- Should consult with the early years providers and Schools Forum on the formula
- Should set a local funding rate for 2 year old entitlements – the disadvantaged rate should be at least equivalent to the working parent entitlements
- Should set a local funding rate for children aged 9 months to 2 years
- Should set a single funding rate (including the same base rate and supplements) for both entitlements for 3- and 4-year olds (that is, both the universal 15 hours, and the additional 15 hours for working parents)
- must plan to pass on at least 96% of their 9 month, 2 years and 3 and 4-year-old funding directly to providers to deliver the entitlements.
- may request that the 96% requirement be disapplied in specific, exceptional circumstances
- must use a universal base rate for all types of provider in their local 3 and 4-year-old formula, including for Maintained Nursery Schools
- may continue to use 'lump sums' to distribute additional funding to Maintained Nursery Schools
- must use a deprivation supplement in their local 3 and 4-year-old formula, and any other supplements used must fall within one of the allowable categories
- must not channel more than 12% of their funding 9 month old to 2 years, 2 year olds or for 3 and 4 olds through funding supplements
- must provide a Special Educational Needs Inclusion Fund (SENIF) for all eligible for the entitlements and who have SEN regardless of the hours taken.
- must pass on Disability Access Fund (DAF) funding in full to providers for all eligible for the entitlements with a disability which should be used for example, to support providers in making reasonable adjustments to their settings or helping with building capacity.
- must pass on Early Years Pupil Premium (EYPP) in full to providers for all eligible for the entitlements and is only payable in the 15 hours entitlement however this will be extended to 30 hours from September 2025.

12. The DfE will monitor compliance with these requirements. Wiltshire is already compliant with the requirements of the formula, and the SEN Inclusion Fund, and there are no current circumstances where a disapplication of the 96% requirement is being recommended.

13. Local authorities are encouraged to fund providers for the entitlement for disadvantaged 2-year-olds at least equivalent to flat hourly rate for all 2 year olds. Wiltshire is compliant with this approach and proposes to pass through 100% of the 2-year-old disadvantaged funding to providers.

Funding Rates for Wiltshire

14. The early years reference group (EYRG) met on 9 January 2025 and considered a number of funding options attached as Appendix 1.

15. In previous years the group has applied the following principles

- To passport fully funding for 2 year old children of families receiving additional support (previously disadvantaged children)
- To prioritise increases where possible to do so – to the 3&4 year old sector as this will have the largest financial impact across the sector.

16. In addition to this, the group felt the rate for Under 2 year olds was higher than necessary to fund the higher staffing ratios required in the 'baby rooms' and therefore wanted to explore reducing the rate for this cohort of children.

17. The unanimous consensus of the group was to support option 4.

- passport in full the rate for families of 2-year-olds receiving additional support (previously 2-year-old disadvantaged rate) of £7.76 per entitled hour an increase of £0.28 (3.7%) on the previous year and
- to set the 2-year-old working parent rate at £7.45, an increase of £0.28 (3.9%) on the previous year and
- to set the 9 months to 2 years working parent rate at £9.98, - an increase of £0.35 (3.6%) on the previous year.
- to set the 3- and 4-year-old rate at £5.52 per entitled hour, an increase of £0.31 (5.9%) per hour on the previous year
- This provides a £0.062m contingency to absorb any increases in children throughout 2025-26 financial year. In this way, the funding increases are maximised to affordability, recognising the challenging business environment settings are operating in of increased wages, energy costs and recruitment and retention challenges.

18. Rurality and deprivation are unchanged but in line with forecast spend for 2024-25 financial year although actual allocations for both deprivation and rurality will be unknown until March when the IDACI report is available. It is likely there will be pressure on this budget due to the extended age ranges funding however the amounts are unclear at this stage.

19. Therefore, the following rates and budget are proposed for 2025/26 financial year.

Wiltshire Provider Rates	PTE (where applicable)	2024-25 Wiltshire Rate	Proposed 2025-26 Wiltshire Rate	£ million
3 & 4-year-old Universal 15 hrs & Working Parents 15 hrs *	10,232.71	£5.21	£5.52	32.188
2-year-old funding - families receiving additional support (previously disadvantaged)	666	£7.48	£7.76	2.947
2-year-old funding	3,652	£7.17	£7.45	15.510
Under 2-year-old funding	3,978	£9.63	£9.98	22.631
Contingency across all age funding				0.062
Deprivation, rurality				0.250
Central EY functions				0.879
EY Inclusion Support Fund - delegated to providers				1.505
EY Inclusion Support Fund - centrally retained				0.200
Early Years Pupil Premium (per hour)	650	£0.68	£1.00	0.370
Disability Access Fund (per child)	396	£910	£938	0.371
Total proposed budget for 2024-25				76.914

Special Educational Needs Inclusion Fund (SENIF)

20. The wider age range of children means that the investment in SENIF needs to increase. Demand for support from SENIF has increased during the year in line with demand for support for school age children and these factors are both taken into account when preparing the 2025-2026 estimate for SENIF support for children with additional needs. Within this, £0.200m is earmarked to create a preventative service to support inclusivity in the early years and primary phase.
21. As part of the preventative inclusive agenda and as part of the recovery actions for the high needs block budget, an additional sum of £0.180 million is ringfenced from the high needs block to support children with an EHCP in the early years sector.
22. The DfE guidance is clear that local authorities should target SEN Inclusion Funds at children with lower level or emerging SEN. Children with more complex needs and those in receipt of an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the high needs block of the DSG. With a dual funded approach, applications for all children can be assessed under one ISF system.

Disability Access Fund

23. This fund is available to children accessing entitlements if they meet the following criteria:
- The child is in receipt of child disability living allowance and;
 - The child receives 3- & 4-year-old universal 15 hours, or is the 2 year old child of a family receiving additional support or is the child aged 9months to 2 years or aged 2 years of eligible working parents.

24. 4-year-olds in primary school reception classes are not eligible for disability access fund (DAF) funding.
25. Settings of eligible children for the DAF will be entitled to receive a one-off payment of £938 per year. Children do not have to take up the full 570 hours of early education they are entitled to in order to receive DAF.
26. Early years providers are ultimately responsible for identifying eligible children and local authorities must check that DAF eligibility requirements are met.
27. The DAF is payable as a lump sum once a year per eligible child. If a child is splitting their entitlement between two or more providers, then parents should be asked to nominate the main setting. If a child receiving DAF moves from one setting to another within a financial year the new setting is not eligible to receive DAF for this child within the same financial year.
28. Ringfenced Funding continues to be allocated through the early years block for the DAF). The DAF allocation is set at £0.371 million for 2025-26 and it is proposed to set the budget in line with the funding level.

Early Years Pupil Premium

29. The EYPP gives providers additional funding to support children from families receiving additional support accessing an entitlement place.
30. For 2025 to 2026, EYPP covers all children who are accessing the entitlements and meeting the eligibility criteria detailed in the operational guidance from the DfE.
31. Ringfenced Funding continues to be allocated through the early years block for the EYPP. The EYPP allocation is set at £0.370 million for 2025-26 and it is proposed to set the budget in line with the funding level.

Compliance

32. Please refer to Appendix 2 for the calculations of compliance with the % pass through. The recommended scenario is compliant.
33. DfE guidance showing guidance for the % pass through calculation can be found in the link to the DfE guidance below.

Proposals

34. Schools Forum is asked to note the update on the early years block and provide views on the proposals in relation to the early years single funding formula and percentage pass through to providers:
 - Local Authority preferred proposal:
 - i. to set the following provider rates for entitled children;
 - a. Under 2 years £9.98
 - b. 2 years £7.45
 - c. 2 years disadvantaged £7.76
 - d. 3 and 4 years (universal and working parents) £5.52
 - ii. that the central team budget be set at £0.879m
 - iii. that the SENIF budget be set at £1.705m (from the early years block)
 - iv. Deprivation and rurality increased to reflect current spending levels at £250,000

- All other funding factors remain at current 2024-25 levels or, funded levels.
- To note that the early years block is to fund the Early Years Inclusion Fund at the current level and the high needs block to allocate £0.180 million to increase support available in line with the SEN strategy around prevention.

Documents relied upon in this report:

[Early years entitlements: local authority funding operational guide 2025 to 2026 - GOV.UK](#)

[Early-years-funding-2025-to-2026/2025-to-2026-early-years-national-funding-formulae-technical-note](#)

[Early_Years_Funding_Rates_and_Step-by-Step_Calculations_2025_to_2026 .xlsx](#)

[Early-years-funding-2025-to-2026/easy-explainer-early-years-funding-rates](#)

[Early-years-funding-2025-to-2026 case studies](#) (*Case studies to support local authorities communicate rates to providers by the 28 February.*)

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