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| **AGENDA ITEM: 11** |

**Title of report: Early Years Block Funding 2025-2026**

**Author of the paper:** Jess Milne

**Officer to present the paper to Schools Forum:** Jess Milne

**Details on who has been consulted with on this paper to date** Early Education and Childcare Sector

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| **Executive Summary:**  This report sets out the financial information relating to the provision of funded Early Education and Childcare entitlements, as set by the Department for Education through the Dedicated Schools Grant- Early Years Block (EYNFF).  This report also highlights the changes to Maintained Nursery supplementary grant formerly known as Lumpsum). |

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| **Recommendations.**  Forum is asked to:   1. Note the contents of the report 2. Agree the new centrally retained funding for 2025-2026 of 4% across all entitlements as set by the Department of Education (DfE), which subsequently confirms the base rates passported to the sector |

1. **Background.**
   1. This proposal is based on a balanced approach that prioritises our commitment to allocating as much funding as possible to the Early Education and Childcare (EEC) funded sector while ensuring we meet our statutory duties to deliver a highly effective service for the sector.
   2. The DfE/ESFA guidance requires at least 96% of the entitlement budget to be passed to providers, monitored through the LBTH annual s251 budget return.
   3. As per the DfE/ESFA guidance, the following has been included in the funding formula calculation for 2025-2026.

* Hourly base rate for all entitlements and providers
* Early Years Pupil Premium (EYPP) entitlement hourly base rate for eligible children
* Deprivation Supplement entitlement hourly base rate for eligible children
* Disability Access Fund (DAF) entitlement yearly base rate for eligible children from the age of 9 months
* SEN Inclusion Funding (SENIF)
  1. The final indicative budget is based on estimates from a combination of the DfE Dedicated Schools Grant (DSG) Early Years National Funding Formula (EYNFF) allocations published in December 2024 and local intelligence of actual reported number of hours delivered during 2024-2025.
  2. Local authorities' Early Years Block allocations are based on children's hours during the January 2024 census and termly data submissions in the summer and autumn term of 2024, creating an assumption of uptake. All hours and financial figures in this report are indicative.

**Table1: Published DfE allocations for Tower Hamlets 2025-2026**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Funded Entitlement | 2023-2024 | 2024-2025 | 2025-2026 | % increase |
| Expanded Under 2-year-old Entitlement | - | £15.40 | £16.28 | +5.7% |
| Expanded 2-year-old Entitlement | - | £11.25 | £11.79 | +4.3% |
| 2-Year-old Entitlement (EL2) | £7.48 | £11.25 | £11.79 | +4.3% |
| Universal/Extended Entitlements | £8.33 | £8.68 | £8.91 | +2.7% |
| EYPP | £0.62 | 0.68 | £1.00 | +47% |
| DAF (Disability Access Fund) | £828 | £910 | £938 | +3.8% |
| Capital Grant | - | £411,467 | \* | - |

\*No DfE announcement yet.

1.6 Local authorities will be funded for 13 weeks of provision in the summer term, 14 weeks in the autumn term and 11 weeks in the spring term 2026 as set by the DfE.

1.7 Any variations are submitted to the DfE (1.2) and may lead to clawback of underspend. Any underspend not requiring clawback is ring fenced and cannot be used for council savings. Any remaining underspend will be equally distributed to all providers active in March 2026 in the Autumn term of 2026 to align with the July 2026 adjustment as approved.

2. **Budget update 2025-2026 and recommendations**

2.1 Multiple options were evaluated considering projected hours, updated allocations, past uptake, and forecasts. The chosen option balances financial viability, internal expenditure and maximised provider rates.

2.2 The final indicative budget based on Early Years National Funding Formula is as follows:

**Table 2: Proposed and comparative rates per hour, per child 2025-2026:**

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| --- | --- | --- | --- | --- | --- |
| Funded Entitlement | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 | % increase |
| Expanded Under 2-year-old Entitlement | - | - | £14.45 | £15.55 | +7.6% |
| Expanded 2-year-old Entitlement | - | - | £10.35 | £11.10 | +7.3% |
| 2-Year-old base rate (EL2) | £6.79 | £7.40 | £10.35 | £11.10 | +7.3% |
| Universal and Extended Entitlement | £7.16 | £7.40 | £7.75 | £8.10 | +4.5% |
| EYPP | £0.60 | 0.62 | £0.68 | £1.00 | +47% |
| DAF | £800 | £828 | £910 | £938 | +3.8% |

2.3 Deprivation funding is allocated based on hourly attendance for each child living within the 20% most deprived areas in Tower Hamlets, as measured by the IDACI index. For children living above this threshold, the funding is incorporated into the base rate. In line with DfE guidance, deprivation funding is included in the entitlements for children under two and for working parents of two-year-olds.

2.4 There is an increase of 2% from £755k in 2024-2025 to £771k SENIF (SEN Inclusion Funding) budget for the year 2025-2026. This adjustment reflects the growing demand for SENIF funding, ensuring that we can better support the needs of children with lower and emerging needs.

2.5 Supplementary Funding (formerly known as Lumpsum) will be paid to Maintained Nursery Schools within the regular payments per year based on an hourly rate of £3.44 per child accessing the funded entitlements (attendance).

2.6 In light of the upcoming changes to our Maintained Nursery Schools (MNS) in Tower Hamlets, further modelling will be undertaken during the summer term of 2025 regarding transition funding. This process is essential to ensure full compliance with Department for Education (DfE) regulations and to support a smooth transition aligned with these changes.

2.7 The Central Retained Budget is calculated using a formula set by the Department for Education (DfE). As part of a national adjustment, the allowed proportion of funding allocated to the Centrally Retained Budget has decreased from 5% to 4%.

As a result of this change, the centrally retained budget has decreased by £186k for 2025-2026. To address this reduction, the Early Education and Childcare service will need to make savings, which will result in changes to our service offer.

2.8 There will be a consultation in the Spring term 2025 regarding the payment schedule, as requested by the DfE. The request is to consult all providers including schools, if we should move to a monthly schedule. Current schedule for the PVI sector is estimate payment is paid at the beginning of each term based on last terms uptake followed by an adjustment (if

increased at the end of the term based on the headcount/census.

## 3. Conclusions and Vote

This paper updates Schools Forum on the proposed funding arrangements for the early years funded ventitlements for 2025-2026 and seeks agreement on the overall centrally retained of 4% across all entitlements.

## Contact Details of Head of Early Education and Childcare Service

If you have any queries or comments in advance of the Schools’ Forum meeting about this report, please contact:

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