

## **Divisions Affected – ALL**

# **DELEGATED DECISION BY CABINET MEMBER FOR CHILDREN, EDUCATION & YOUNG PEOPLE'S SERVICES**

12 February 2025

## **Formal Approval of Early Years Funding Formula 2025/26**

Report by the Director of Children's Services

### **RECOMMENDATION**

1. The Cabinet Member is **RECOMMENDED** to
  - a) Pass the funding increase received by Oxfordshire onto providers (after allowing for centrally retained funding per Department of education (DfE) criteria) and approve the 2025-26 Early Years funding formula for 3- and 4-year-old provision with an underlying hourly rate of £5.53 (excluding the supplements, SEN Inclusion Fund and Contingency).
  - b) Pass the funding increase received by Oxfordshire onto providers and approve the 2025-26 Early Years funding formula for 2-year-old working parent provision at an hourly rate of £8.05.
  - c) Pass the funding increase received by Oxfordshire onto providers and approve the 2025-26 Early Years funding formula for 2-year-olds of families receiving additional support at an hourly rate of £8.05.
  - d) Pass the funding increase received by Oxfordshire onto providers and approve the 2025-26 Early Years funding formula for 9 Months to 2-year-old provision at an hourly rate of £11.05.
  - e) Pass on the additional 15 hours for entitled "2yrs olds" & "9-months to 2 years old" (new entitlement from 1 September 2025).

### **Executive Summary**

2. The local authority is required to set the funding formula within DfE criteria for:
  - a) 9 Months to 2-year-old
  - b) 2-year-old provision
  - c) 3- and 4-year-old provision.
3. The 2025-26 formula proposed is in line with the DfE national formula introduced in 2017-18.
4. The local authority is responsible for making the final decisions on the formula.

5. Early Years Providers and Schools Forum were consulted on the Early Years Funding Formula and the overwhelming response was to pass on the increase in hourly rate in full to providers.

## Introduction

6. In 2017-18, the Department for Education (DfE) introduced the Early Years National Funding Formula (EYNFF). This sets out the hourly funding rates that each Local Authority (LA) is paid to deliver the universal and additional entitlements for 3- and 4-year-olds. There is a separate formula which sets out the hourly funding rates for 2-year-olds and the more recent 9 Months to 2-year-olds. The DfE published the Early Years Entitlements: local authority funding for providers (the Operational Guide) on 10 December 2024 and this sets out the overall framework and expectations on Local Authorities regarding the EYNFF for 2025-26.
7. The hourly rate which Oxfordshire's receives from the DfE to deliver all elements of the formula for 3- and 4-year-olds has increased by 20p from £5.80 to £6.00 (3.4%). This is inclusive of amounts for central services, supplements (mandatory deprivation supplement and the new quality supplement relating to the Early Years Budget Grant), the Contingency and the SEN Inclusion Fund delegated funding.

## The Early Years Funding Formula

8. The DfE published the updated [EYNFF Operational Guide](#) (December 2024), which sets the overall framework and expectations on local authorities regarding the EYNFF.
9. The proposed 2025-26 formula follows principles that were established when the EYNFF was first introduced in 2017-18.
10. The key elements of the formula, meeting DfE requirements, are:
  - a) The formula relates to both the universal 15-hour entitlement for all 3 and 4-year-olds and the additional 15 hours for 3 and 4-year-olds of eligible working parents (the 30-hour childcare policy).
  - b) A minimum amount of funding to be passed through to providers –The pass-through requirement is intended to ensure the maximum amount of funding allocated to local authorities by the DfE reaches providers. The pass-through funding level is an official DfE benchmark of 96% however Oxfordshire are proposing a passthrough rate of 97% with a centrally held fund of 3% (£3.08m) which shall be outlined in section 8.3 below.
  - c) A local universal base rate for all types of providers – Local Authorities are required to set a universal base rate in their local single funding formulae, meaning there must be a base rate the same for all types of providers. This

underlying base rate excludes Supplements, the SEN Inclusion Fund allocations, and any agreed upon Contingency fund(s).

- d) A mandatory supplement for Deprivation. LAs have the freedom to choose the appropriate metric for allocating deprivation funding. LAs are free to choose the metric used however funding rates are set by the DFE. Following earlier consultation, the method for allocating deprivation funding was agreed as an enhancement on top of the Early Years Pupil Premium (EYPP). The EYPP rate has increased from 68p in the current year to £1 in FY 2025-26. The deprivation supplement was set at 47p per hour in FY 2024-25, There is no change to that rate in FY 2025-26. (The 47p supplement also applies to additional hours, although EYPP can only be paid on universal 15 hours).
- e) A quality supplement to distribute the additional funding LAs receive because of the mainstreaming of the teachers' pay and pensions grants. As from the Financial Year 2023-2024, the separate teachers' pay grant and teachers' pensions employer contribution grant are no longer being paid directly to school-based nurseries. (The maintained nursery school portion of the teachers' pay, and pensions grant funding has been rolled in to MNS supplementary funding).
- f) In 2024-25 Councils received additional funding through the Early Years Budget Grant to cover increases in pay awards. This grant has been rolled into the base funding for 2025-26.
- g) A special educational needs (SEN) inclusion fund. LAs are required to have SEN Inclusion Funds for all 3- and 4-year-olds with SEN who are taking up free entitlements. This is to target funding at children with lower level or emerging SEN.
- h) A contingency fund of £262k has been proposed to manage any unexpected increase in the take up of Early Year hours.

11. Additional funding streams for eligible 3- and 4-year-olds are as follows:

- a) The disability access fund (DAF) – The DAF was introduced in April 2017 to support disabled children's access to the entitlements for 3- and 4-year-olds. 3- and 4-year-olds are eligible for the DAF if they are in receipt of child disability living allowance (DLA) and receive free early education. This funding has now been made available to 2- year-olds and 9 months to 2-year-olds. LAs must fund all types of settings providing a place for DAF-eligible children at an annual rate of £938 in FY 2025-26
- b) Early Years Pupil Premium (EYPP) – The EYPP gives providers additional funding to support 3 and 4-year-olds, 2-year-olds and under 2s, where their family meets specified criteria, they are being looked after by a LA or have left care through specified orders. The national rate is £1 per hour per eligible pupil up to a maximum of 570 hours per year in FY 2025-26. The Operational Guide indicates that "Where a child is also eligible for the additional 15 hours entitlement for working parents, EYPP is paid on the universal 15 hours only, up to a total of 570 hours in the year".

- c) Supplementary funding for maintained nursery schools (MNS). The stated aim of the DfE was to enable local authorities to protect their 2016-17 funding rates for MNS (that is, the rates that existed before the EYNFF). Further details, and changes for 2025-26, are outlined below. It is to be noted that this funding does not cover the whole operational costs that nurseries are currently incurring due to funding still falling short of actual costs.

## Financial Implications

12. The report deals with the funding formula for Early Years for 2025-26 and recommends a formula in line with statutory guidance.
13. The proposed formula for 3- and 4-year-olds, 2- year-olds and 9 months to 2-year-olds has been modelled in line with the initial allocation published by the DfE. The key risk remains the level of take-up of hours. Final DSG funding allocations will be based on data from two census dates – 5/12ths in January 2025 and 7/12ths on January 2026 censuses. The funding will not be confirmed until July 2025. There is a risk that actual participation varies from these snapshot funding dates.
14. Each year, there is uncertainty around the take-up of the number of hours. While there is no contingency to cater for this there is provision for any overspend on the Early Years DSG in 2025-26 to be carried forward and funded from 2026-27 Early Years DSG.

Comments checked by:

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## Legal Implications

15. The School and Early Years Finance (England) Regulations 2024 (updated annually) provide the legal basis for DfE to formulate the EYNFF, which must be followed by the Council.

This report sets out how the EYNFF is implemented by the Council.

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## Staff Implications

16. There are no new staffing implications.

## **Equality & Inclusion Implications**

17. The County Council is passing on the Early Years Funding in line with DfE guidance. The Council therefore relies on the DfE review of Equality & Inclusion implications.

## **Sustainability Implications**

18. There are no sustainability implications.

## **Risk Management**

19. There are significant risks in setting the EYNFF for 2025-26 due to the final funding being set on census data as of January 2025 and January 2026 data. There is therefore a risk that DSG funding and payments will not match. Final funding allocations will not be known until July 2025. This risk is managed via the ability to carry forward any overspend to offset against 2026-27 allocations.

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Background papers:           None

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