Schools Forum

Subject:
Early years funding 2025/26: Outcome of provider consultation and recommendations

Report of:
Director of Education Skills and Early Years and Director of Finance

Date: 26 March 2025

1. Purpose of the Report

1.1 The purpose of the report is to summarise responses to the 2025/26 Early Years Funding Consultation and update Schools Forum on the recommended Early Years funding rates for 2025/26.

2. Background

2.1 The Early Years National Funding Formula (EYNFF) was introduced in 2017/18. Since then, the Council has been responsible for setting the hourly funding rates paid to providers to deliver the free entitlements for 2, 3 and 4-year-olds.

2.2 Local authorities are required to consult providers on annual changes to their local Early Years Funding Formula.

2.3 Early Years Statutory guidance (1) states that a minimum of 96% of funding must be passed to providers, an increase from the mandate 95% in 2024/25. This means that centrally retained funding (for central services or services in-kind) combined with any funding movement out of the Early Years Block is now limited to a maximum of 4%.

3. Department for Education (DfE) Funding rates from April 2025

3.1 Following a national consultation with regards to introducing the working parent entitlement and the formula to be used, in December 2024 the DfE announced funding rates payable to local authorities from April 2025 (2025/26).

Table 1: Oldham's EYNFF Funding Rates from Government

	2025/26
Under 2-year-olds (9 month upwards)	£11.50
2-year-olds	£8.43
3 and 4-year-olds	£5.92

1 Early Education and Childcare Statutory guidance for local authorities – Jan 24 (Department for Education)

4. Current Local Funding Formula

4.1 The table below shows the hourly rates paid to providers in 2024/25 and the relevant SENIF contribution rates and SENIF contributions.

Table 2: Hourly rates paid to providers in Oldham 2024/25

	Base rate	Deprivation supplement	EYPP	Maximum hourly rate	SEN Inclusion Fund
Under 2-Year-Olds	£10.65	N/A	68p	£11.33	£14,000
2-Year-Old – Disadvantaged Families	£7.89	N/A	68p	£8.57	£90,000
2-Year-Old – Working Families	£7.60	N/A	68p	£8.28	
3 and 4-year-olds*	£5.29	20p	68p	£6.17	£171,000

*The locally applied formula for all entitlements must adhere to the following:

- 96% of funding must be passed to providers (including the base rate, supplements, and the SEN Inclusion Fund). In 2024/25 95% of funding was required to be passed to providers
- There must be a universal base rate for all providers.
- There must be a deprivation supplement for 3-and-4-year olds.
- There must be a Special Education Needs Inclusion Fund (SENIF) for all entitlements.

5. Consultation

5.1 We consulted providers on proposals for the 2025/26 funding rates and the SENIF contribution which must be applied to all entitlements.

5.2 The Consultation was launched by way of an online survey on Wednesday 29th January 2025 and closed on Wednesday 12th February 2025.

6. Consultation proposals

6.1 Funding for 3 and 4 year-old children.

6.1.1 The LA consulted on two options for the 3 and 4-year-old funding rates. This included the mandatory deprivation supplement.

Table 3: 3 and 4 year old funding options

	Proposed Base rate 2025/26	Deprivation supplement	Proposed Maximum hourly rate 2025/26	Proposed SEN Inclusion Fund 2025/26
Option 1	£5.53	20p	£5.73	£177,672
Option 2	£5.56	20p	£5.76	£88,836

Consultation question 1: Which option for 3 and 4-year-olds funding do you prefer?

6.2 Funding for 2-year-old working families and disadvantaged families.

6.2.1 The Local Authority (LA) consulted on four options for the 2-year-old funding rates. Whereas there is a compulsory deprivation supplement in the formula for 3 and 4-year-old funding, this is not mandatory for the 2-year-olds, in order to provide the LA with flexibility.

6.2.2 For 2025/26 the proposal was simply to calculate an hourly rate based on the indicative figure of eligible children provided by the DfE thus maximising pass through of the base rate to the sector. In addition, the LA was given the flexibility to have different local formulas for the two cohorts of 2-year-old entitlement to ensure it meets local need.

6.2.3 There was, however, a requirement that LA's must have a SENIF fund for the 2year old entitlement and this should form part of the pass through to providers under the same guidance as that for the 3 and 4 year old children.

6.2.4 The LA gave two additional options as part of the consultation which included the same hourly rate for both cohorts. Option 1 and 2 have base rates that are the same for both cohorts with options 3 and 4 having higher base rates for the disadvantaged 2 Year Olds.

Table 4 – 2-year-old funding options

Option		Proposed Base Rate 2025/26	SEN Inclusion Fund
1	Disadvantaged Family	£8.10	£109,833
	Working Family	£8.10	
2	Disadvantaged Family	£8.14	£54,916
	Working Family	£8.14	
3	Disadvantaged Family	£8.22	£109,977
	Working Family	£8.01	
4	Disadvantaged Family	£8.26	£54,988
	Working Family	£8.05	

<u>Consultation Question 2</u>: Which option for 2-year-old funding do you prefer?

6.3 Funding for working families with under 2's (from the term after child turns 9 months old)

6.3.1 Whereas there is a compulsory deprivation supplement in the formula for 3 and 4-year-old funding, this is not mandatory for the under 2-year-olds, in order to provide the LA with flexibility. As with the 2 Year Old choices, the proposal was simply to calculate an hourly rate based on the indicative figure of eligible children provided by the DfE thus maximizing pass through of the base rate to the sector.

6.3.2 There was, however, a requirement that LA's must have a SENIF fund for the under 2's and this should form part of the pass through to providers under the same guidance as the 3 & 4 year-old funding.

Table 5 - Funding proposal for under 2's

	Proposed Base Rate 2025/26	SEN Inclusion Fund
Option 1	£11.04	£89,635
Option 2	£11.10	£44,817

***Consultation Question 3*: Which option for under 2's working families funding do you prefer?**

7. Consultation Response

7.1 As evidenced in table 6 below, 27% of eligible providers responded to the survey. Table 7 summarises the responses, the preferred option is highlighted in green.

Table 6: Overall response rates by provider type

	Schools	PVI Group settings	Child-minders	Total
Number of eligible settings	63	82	88	233
Number of responses received	10	32	20	62
Response rate by provider type	16%	39%	23%	28%

Table 7- Summary of Consultation responses.

	Question 1 (3 to 4- year olds)		Question 2 (2- year olds)		Question 3 (Under 2's)	
	No.	%	No.	%	No.	%
Option 1	29	47%	19	32%	22	37%
Option 2	33	53%	26	43%	38	63%
Option 3			9	15%		
Option 4			6	10%		
Total	**62**	**100%**	**60**	**100%**	**60**	**100%**

8. Preferred Options

8.1 **3-and 4-year-old funding rate**
53% of respondents opted for **Option 2**. This option added 27p onto the base rate of 24/25

8.2 **2-year-old funding rate**
43% of respondents opted for **Option 2**. This option added 25p onto the disadvantaged families base rate compared with 2024/25 and added 54p onto the working family rate compared with 2024/25.

8.3 **Under 2 funding for working parents**
63% of respondents opted for **Option 2**. This option added 45p onto the base rate compared with 2024/25

8.4 Further comments were received from the EY sector as part of the consultation:

- I feel that the options that bring in the most hourly rate per child will benefit us more.
- Too much paperwork expected from settings around SEND to warrant applications for extra funding

- Providers, who work closely with the children, should have a more significant role in determining which children need funding. They are best positioned to assess when funding is necessary and how it will directly support each child's development.

9. Conclusion

9.1 That based on the outcome of the consultation, the following early years funding rates for 2025/26 are approved.

Table 8- Early Years recommended Funding Rates for 2024/25

	Base rate	Deprivation supplement	Maximum hourly rate	SENIF
3 and 4-year-olds	£5.56	20p	£5.76	£88,836
2-year-olds disadvantaged families	£8.14	N/A	£8.14	£54,916
2-year-olds working families				
Under 2 -year- old's	£11.10	N/A	£11.10	£44,817

9.1 The SENIF will now be consulted on separately and the total that will be allocated for 25/26 is £188,569.

10. Recommendation

10.1 That Schools Forum note the outcome of the Provider Early Years Funding consultation 2025/26, as summarized in Section 9 above.