

Dedicated Schools Grant – 2025-26 Early Years Block

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Report title:	Dedicated Schools Grant – 2025-26 Early Years Block
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PURPOSE OF REPORT

1. This report sets out the provisional Early Years Block, Dedicated Schools Grant (DSG) allocation for 2025-26 and provides details of the changes in comparison to 2024-25. It asks for Forum members to confirm the funding rates for early year's providers.

RECOMMENDED ACTIONS FOR SCHOOLS FORUM

2. The Schools Forum is asked to approve:
 - i) The funding rates for Early Year providers of
 - 3 and 4 year olds base rate of £6.70 per hour (paragraph 18)
 - 2 year old (deprived households) base rate of £10.20 per hour (paragraph 18)
 - 2 year old (working households) base rate of £10.20 per hour (paragraph 18)
 - Under 2's base rate of £14.38 per hour (paragraph 18)
 - Deprivation rates for all age groups as set out in paragraph 21
 - Disability Access Funding rate for all age groups of £2,000 per year (paragraphs 14 to 17)
 - Early Years Pupil Premium rate for all age groups of £1.00 per hour. (paragraph 25)
 - 3 and 4 year old rate to distribute the teacher pay and pension increase funding is raised to £0.68 per hour (paragraph 24).
 - ii) That the central retentions budget should be set at £1,115k as per paragraphs 31 to 36.
 - iii) Approve the increase of the SENDIF budget to £1,150,000 as per paragraphs 26 to 30.

BACKGROUND INFORMATION

3. The Dedicated Schools Grant (DSG) is broken down into four blocks; one of those blocks is the Early Years Block. The Department for Education (DfE) initially estimates each Local Authority's (LA's) 2025-26 funding based on the January 2024 pupil numbers. The DfE estimated 2025-26 Early Years funding for Southwark is £40.7m.

4. The long-term position is that the DfE will update the allocation in July 2025 to reflect the January 2025 census (all terms) and again in July 2026 to reflect the January 2026 census (autumn and spring terms only). However, for the 2025/26 financial year, the DfE will be updating the funding for under-2's and 2yo working families in November March and July to reflect each terms' data for these provisions.
5. The details of the settlement are included in Appendix A.
6. As can be seen in Appendix A, there has been another large increase in the initial allocation, largely due to the continued roll out of expanded Early Years provision, with the total indicative Early Years block allocation increasing by £8.8m.
7. The funding rate for 3 and 4 years olds has increased by 31 pence, which includes the merging of the 2024/25 Early Years Budget Grant into the early years block to cover the September 2024 teachers' pay award.
8. There are two complications in the calculation and distribution of the Early Years Block that need to be borne in mind.
9. Firstly, the funding received by the local authority is not matched against the spend for each term. A large portion of the local authority funding is based on the Spring census, whilst spend is based on the three census through the year, and so there is inherent volatility where pupil numbers fluctuate between terms. This results in challenges estimating Early Years block costs each year.
10. The second complication is that the DfE/ESFA fund on the basis of months, meaning that 42% of LA funding is for the summer term (5/12), 33% for the autumn term (4/12) and 25% for the spring term (3/12). Southwark's funding of Early Years providers is on the basis of weeks, where the summer term represents 34% (13/38), the autumn term represents 34% (13/38) and the spring term represents 32% (12/38). This means there is a significant mismatch between the funding for a term and the spend for that term.

Maintained Nursery Schools (MNS) Supplementary Funding

11. The average MNS Supplementary Funding hourly rate across the country has increased by 12% and this is reflected in the rates for Southwark which have increased from £7.52 to £8.42. This includes the additional 2024/25 funding delivered via the Early Years Budget Grant. The indicative supplementary funding now stands at £1.574m, but there is a well-established downward trend in MNS 3&4 year-old numbers, which this funding is based on, so the final figure is expected to be lower.

Early Years Budget Grant

12. For the 2025 to 2026 financial year, £378k of funding for teachers' pay in early years will be incorporated into local authorities' core funding arrangements, through the early years funding block of the dedicated schools grant (DSG), rather than through a separate grant.
13. This funding will be added to the existing Teacher Pay & Pension supplement which is distributing earlier grants of this nature.

Disability Access Fund

14. Part of the Early Years block is funding for the Disability Access Fund. This funding is passed to providers that enrol children that are eligible for Disability Living Allowance and is intended to remove the barriers that these pupils face when trying to access the 3&4 year old free entitlement.
15. The funding provided to Southwark is based on the number of DLA eligible 3&4 year olds in the borough, but the number of these pupils in settings is far lower. This means that the funding passed to settings is lower than the funding received. To address this rates were increased in 2023-24 to £2,000, up from £800 the previous year.
16. In 2023-24, funding was provided to 91% more pupils, achieving the aim of increasing the number of DAF awards and potentially increasing the number of DAF pupils accessing early years provision. 2024/25 numbers are in line with 2023/24 awards.
17. Even with these additional numbers it is predicted that this higher rate will still be affordable within the funding total, although this will continue to be monitored. As a result, it is proposed to retain the rates at £2,000 per year in 2025/26, the same rate as in 2024-25.

Funding Rates for 2025/26

18. The tables below show the proposed hourly rates for under 2's, 2 year olds , 3&4 year olds. Funding rates for all provider types are the same.

Early Years Single Funding Formula (EYSFF) - Base Rates

Base Rates	25/26 Rates	24/25 Rates
3 & 4 yr olds	£ 6.70	£ 6.21
2 yo (Disadvantaged)	£ 10.20	£ 9.02
2 yo (Working)	£ 10.20	£ 9.02
Under 2's	£ 14.38	£ 12.38

19. Children will attract this amount of funding to their setting for each hour recorded on the termly census.
20. As well as funding this base rate, the DfE/ESFA hourly rate for each age group also funds supplements, SENDIF, central spend and contingency.

EYSFF - Deprivation Rates

21. Deprivation rates are the same for all provider types and across all age groups. These amounts will be paid out per hour recorded on the census dependent upon the child's home postcode.

Deprivation	3 & 4 yr old	2 yo (Disadvantaged)	2 yo (Working)	Under 2's	2024-25 Rates
IDACI Band 1	£ -	£ -	£ -	£ -	-
IDACI Band 2	£ 0.51	£ 0.51	£ 0.51	£ 0.51	£ 0.41
IDACI Band 3	£ 0.70	£ 0.70	£ 0.70	£ 0.70	£ 0.65
IDACI Band 4	£ 0.94	£ 0.94	£ 0.94	£ 0.94	£ 0.94
IDACI Band 5	£ 1.25	£ 1.25	£ 1.25	£ 1.25	£ 1.25
IDACI Band 6	£ 1.55	£ 1.55	£ 1.55	£ 1.55	£ 1.55

22. Deprivation rates had been unchanged for a number of years. Rate 2 and 3 were increased in 2024/25 and have been increased again this year to better reflect the costs of deprived pupils in these IDACI ranges.

23. The percentage increase in deprivation is lower than the increase in the hourly rate, so deprivation will fall as a percentage of the spend budget. This assists in keeping the supplements below the 12% limit.

Teachers Pay & Pension Supplement

24. These amounts will be paid out per hour recorded on the termly census, dependent upon the setting having a qualified teacher on its payroll, paid in accordance with teacher pay and conditions.

25. The rate has been increased by the amount required to deliver the additional £378k of additional funding provided to cover the September 2024 teachers' pay award

Teachers' Pay & Pension	2025-26	2024-25
3&4 yr olds	£ 0.68	£ 0.40

Disability Access Fund

26. The rate is being maintained at £2,000 per year per pupil to remove barriers to the take up of places by pupils with additional needs that trigger Disability Living Allowance benefit payments.

DAF	2025-26	2024-25
3 & 4 yr olds	£ 2,000	£ 2,000
2 yo (Disadvantaged)	£ 2,000	£ 2,000
2 yo (Working)	£ 2,000	£ 2,000
Under 2's	£ 2,000	£ 2,000

EYPP

27. These amounts will be paid out per hour recorded on the termly census for eligible pupils, up to a maximum of 15 hours per week.

EYPP	2025-26	2024-25
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3 & 4 yr olds	£	1.00	£	0.68
2 yo (Disadvantaged)	£	1.00	£	0.68
2 yo (Working)	£	1.00	£	0.68
Under 2's	£	1.00	£	0.68

These amounts match the rates set by the DfE/ESFA

Special Educational Needs & Disability Inclusion Fund (SENDIF)

28. Local Authorities are currently required to establish a SENDIF to work with providers to address the needs of individual children with SEN who are taking up the funded entitlements.
29. It is expected that LA's will pass the majority of their SENDIF to providers on a case by case basis, but it can also be used to fund specialist SEN services. The SENDIF is open to all providers of the early years entitlements and does not preclude providers from making Education, Health & Care Plan (EHCP's) applications.
30. As Southwark benchmarked at the bottom of inner-London authorities, the SENDIF budget was increased for the 2024/25 financial year. This increase, which was limited by affordability, moved the borough just once place up the table, so a further increase, shown below, is proposed in order to move towards the Inner London average:

SENDIF	2024-25 Budget	2025-26 Proposed Budget
SENDIF Total	£ 518,000	£ 1,150,000

31. This additional budget will also cover the increase to 30 hours for the under-2's and working 2 year old household provision.
32. In addition to the increase from the EY block, it is proposed to maintain the contribution from the High Needs block at an additional £100k as was first introduced in 2024-25.

Early Years Central Retentions

33. The LA retains a proportion of the Early Years Block in order to meet its statutory duties in respect of early education and childcare as set out in the Childcare Act of 2016 and related guidance. These include:
- Duty to secure free early education for all 3 and 4 year olds and specified 2-year-olds
 - Duty to collect information about individual children receiving early years provision and supply that information to DfE (school and early years census)
 - Duty to fund early education places in all sectors using a locally-determined, transparent formula: the early years single funding formula
 - Duty to secure information, advice, and training for childcare providers in their area
 - Duty to provide information, advice, and assistance to parents and prospective parents on the provision of childcare in their area.

These duties are delivered through three small teams within Children’s & Adults services:

- The Free Early Learning Team (3 staff) manages the free early education offer process, including termly headcount/claims process, funding to early years settings and promoting the free entitlement to parents.
- The Early Years Quality Improvement Team (5 staff) provides information, advice, and support to the 140 early years group care settings and 240 childminders in Southwark.
- The Early Years Consultants (1 EY advisor, 2 consultants) in the Standards team provide information, advice, and support to schools in relation to the Early Years Foundation Stage.

34. For 2025-26 the limit set by the DfE for central retentions on the Early Years Block has been reduced to 4% from 5%, with the anticipation that this will reduce to 3% in future years. With the budget for 2025-26, we propose to set the budget in line with 3% so as to distribute more of the available funds directly to providers, and not to disrupt service provision with annual fluctuations. In doing this, with the impact of the rollout of new Early Years provision to younger age groups means an increase in the central budget.

35. The budget proposed as set out in the table below, sees an increase of £200k to central budgets, which will support the additional work required for the expanded early years entitlement as well as inflationary pressures.

	2024-25 Central Retention on Early Years Block	2025-26 proposed Central Retention on Early Years Block
	£000	£000
Early Years Teams Staffing	579	779
Early Help Service (See below)	336	336
Total	915	1,115

36. The Family Early Help (FEH) and Transformation Service provides a team of 68 staff, directly delivering a whole family approach, and supports the integration of Under 5s work within Children & Family Centres (CFCs) commissioned by the Local Authority. The whole family approach delivered by FEH Practitioners and CFC Family workers ensures that all children and adults within a household are offered support.

37. The average monthly contacts from external agencies requesting early help for children has increased from 235 per month in 2019/20 to 464 per month in 23/24 (a 97% increase). This is alongside approximately 100 children a month transferred from statutory services to this level 2 provision.

38. The majority of early help support (as measured by assessments completed) supports children of secondary school age (66 – 70% over the last 4 academic years). The proportion of under 5s receiving support ranges from 23 – 30% over the last 4 years.

Appendix A – Comparison of Early Years block funding 2024-25 to 2025-26.

	2025/26	2024/25	Movement	
Hourly rate for 3&4 year old entitlements (£ / hr)	£ 7.91	£ 7.60	£ 0.31	4.1%
Number for 3&4 year old universal entitlement funding (PTE)	3,329.6	3,329.6		
Indicative funding allocation for universal entitlement for 3&4 year olds	£ 15,012,168	£ 14,423,828	£ 588,340	4.1%
Number for 3&4 year old additional 15 hours entitlement for eligible working parents (PTE)	1,088.9	1,088.9		
Indicative funding for additional 15 hours entitlement for working parents of 3&4 year olds	£ 4,909,389	£ 4,716,985	£ 192,404	4.1%
Hourly rate for 2 year old entitlement (£ / hr)	£ 11.48	£ 10.97	£ 0.51	4.6%
Number for 2-year-olds of families receiving additional support (PTE)	547.8	547.8		
Indicative funding allocation for 2-year-olds of families receiving additional support	£ 3,584,585	£ 3,425,339	£ 159,246	4.6%
Estimated number of 2 year old for working parents entitlement (PTE) April - August	202.3	586.7		
Indicative funding allocation for 2 year old working parent entitlement April - August	£ 1,323,444	£ 3,668,765	£ 2,289,642	62.4%
Estimated number of 2 year old for working parents entitlement (PTE) September - March	708.3			
Indicative funding allocation for 2 year old working parent entitlement September - March	£ 4,634,963			
Hourly rate for under 2s entitlement (£ / hr)	£ 15.80	£ 14.98	£ 0.82	5.5%
Estimated number of under 2s entitlement (PTE) April - August	219.8	437.5		
Indicative funding allocation for under 2s entitlement April - August	£ 1,979,789	£ 3,735,980	£ 5,196,441	139.1%
Estimated number of under 2s entitlement (PTE) September - March	772.0			
Indicative funding allocation for under 2s entitlement September - March	£ 6,952,632			
Hourly rate for Early Years Pupil Premium (£ / hr)	£ 1.00	£ 0.68	£ 0.32	47.1%
Number for 3&4 year old early years pupil premium funding (PTE)	732.9	732.9		
Indicative funding allocation for early years pupil premium for 3&4 year olds	£ 417,736	£ 284,061	£ 133,675	47.1%
Estimated number for 2 year old early years pupil premium funding (PTE)	222.9	222.9		
Indicative funding allocation for early years pupil premium for 2 year olds	£ 127,036	£ 86,385	£ 40,651	47.1%
Estimated number for under 2s early years pupil premium funding (PTE)	20.1	28.7		
Indicative funding allocation for early years pupil premium for under 2s	£ 11,435	£ 11,117	£ 318	2.9%
Estimated number for 3&4 year old disability access funding (PTE)	143.0	140.0		
Funding allocation for disability access fund for 3&4 year olds	£ 134,134	£ 127,400	£ 6,734	5.3%
Estimated number for 2 year old disability access funding (PTE)	36.0	26.0		
Funding allocation for disability access fund for 2 year olds	£ 33,768	£ 23,660	£ 10,108	42.7%
Estimated number for under 2s disability access funding (PTE)	5.0	8.0		
Funding allocation for disability access fund for under 2s	£ 4,690	£ 7,280	-£ 2,590	-35.6%
Hourly rate for supplementary funding for maintained nursery schools (£ / hr)	£ 8.42	£ 7.52	£ 0.90	12.0%
Number for supplementary funding for maintained nursery schools (PTE)	328.0	328.0		
Indicative supplementary funding allocation for maintained nursery schools	£ 1,574,204	£ 1,405,940	£ 168,264	12.0%
Total early years block	£ 40,699,973	£ 31,916,740		27.5%