

Schools Forum

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Venue: Via Microsoft
(MS) Teams

Paper

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Public

EY Block 2025/26

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Summary

This paper details the allocation of the Early Years block for the financial year 25/26.

Recommendation

Schools Forum are asked to consider, comment upon and approve the Local Authorities proposed plans for the use of the EY block in 2025/26 as set out below.

REPORT**1 Background**

The early years block funds all factors relating to three and four year-olds and disadvantaged two-year-olds in nurseries, private, voluntary and independent settings, and maintained schools. Following the announcements in the Spring budget 2023 the block will also now include funding for the new free entitlement for children from working families aged 2 years from April 24 and aged 9 months from Sept 24 – expanding to 30 hours for all children of working parents from 9 months+ from September 2025.

2 Summary of the entitlements covered by this Funding:

The free entitlements (FE) covered by this funding are as follows:

1. The universal annual FE of 570 hours of early years education and childcare for all 3 and 4 year olds from the start of the term after their third birthday
2. The extended annual FE of an additional 570 hours of early years education and childcare for 3 and 4 year olds from 'working families' from the start of the term after their third birthday.
3. The FE of 570 hours of early years education and childcare for 2 year olds from 'disadvantaged families' from the start of the term after their second birthday.



4. The expanded annual FE of 570 hours of early years education and childcare for 2 year olds from 'working families' from the start of the term after their second birthday.
5. The expanded annual FE of 570 hours of early years education and childcare for 9 month olds from 'working families' from the start of the term after they turn 9 months old.
6. **NEW:** From Sept 2025 the expanded annual FE of 570 hours of early years education and childcare for 9 month olds from 'working families' from the start of the term after they turn 9 months old.

3 Eligibility criteria for the non-universal entitlements

3.1 HMRC define the eligibility criteria for the disadvantaged 2-year-old entitlement as follows:

Your 2-year-old can get free childcare if you live in England and get any of the following benefits:

- Income Support
- income-based Jobseeker's Allowance (JSA)
- income-related Employment and Support Allowance (ESA)
- Universal Credit, and your household income is £15,400 a year or less after tax, not including benefit payments
- the guaranteed element of Pension Credit
- Child Tax Credit, Working Tax Credit (or both), and your household income is £16,190 a year or less before tax
- the Working Tax Credit 4-week run on (the payment you get when you stop qualifying for Working Tax Credit)

2-year-olds can also get free childcare if they:

- are looked after by a local authority
- have an education, health and care (EHC) plan
- get [Disability Living Allowance](#)
- have left care under an adoption order, special guardianship order or a child arrangements order



3.2 HMRC define ‘working families’ as follows:

If you are working

You can usually get 30 hours free childcare if you (and your partner, if you have one) are:

- in work
- on sick leave or annual leave
- on shared parental, maternity, paternity or adoption leave

If you’re on adoption leave for a child aged 3 to 4 years old, you must return to work within 31 days of the date you first apply for 30 hours free childcare for that child.

If you are not currently working

You may still be eligible if your partner is working, and you get Incapacity Benefit, Severe Disablement Allowance, Carer’s Allowance, Limited Capability for Work Benefit or contribution-based Employment and Support Allowance. You can apply if you’re starting or restarting work within the next 31 days.

Your income

Over the next 3 months you and your partner (if you have one) must each expect to earn at least:

- £2,539 if you’re aged 21 or over
- £2,080 if you’re aged 18 to 20
- £1,570 if you’re under 18 or an apprentice

This is the [National Minimum Wage or Living Wage](#) for 16 hours a week on average.

You can use an average of how much you expect to earn over the current tax year if:

- you work throughout the year but do not get paid regularly
- you’re self-employed and do not expect to earn enough in the next 3 months

If you’re self-employed and started your business less than 12 months ago, you can earn less and still be eligible for 30 hours free childcare. If you have more than one job, you can use your total earnings to work out if you meet the threshold. This includes:

- earnings from any employment
- earnings from any self-employment



If you're both employed and self-employed, you can use just your self-employment income if this would make you eligible. For example, if you expect your average self-employed earnings over the tax year to be more than you'll get over the next 3 months as an employee.

4 Summary of the indicative Early Years block funding for 25/26

Historically overall indicative allocation of the EY block has been determined by applying an hourly rate per hour per child and multiplying this by the number of children on roll within the LA at the time of the EY census in the previous January.

The level of funding is then adjusted using the data gathered in the EY census in the following January (A) and again based on census in the following January (B) with the final figure received being based 5/12ths on January A and 7/12ths on January B census.

e.g. EY block allocation for 2024/25:

- Indicative allocation received in January 2024 based on January 2023 EY census. □ Adjustment made based on January 2024 and January 2025 EY census □ Final allocation confirmed in July 2025.

The new financial year will see the introduction of the new expanded childcare entitlements. The DfE will continue to use the historic model for the allocation funding for the three existing offers. For the new offers they will use calculated figures of 'expected' take up and ask LAs to complete a termly census, using this information to adjust actual allocations based on the termly take up of places.

e.g EY block allocation for 2025/26:

- Indicative allocation based on January 2024 EY census and DfE expected take up calculations.
- Adjustment based on January 2025 EY census
- Adjustment based on Summer term 2025 actual take up data submission
- Adjustment based on Autumn term 2025 actual take up data submission
- Final adjustment based on January 2026 census

For 25/26 the following per hour per child funding rates have been announced:

Funding for the universal and extended three- and four-year-old entitlements:

	Hourly rate used to determine funding	Increase compared with 24/25 funding
April 2025	£5.71 phpc	+24p phpc

Funding for the disadvantaged and expanded two-year-old entitlements:

	Hourly rate used to determine funding	Increase compared with 24/25 funding
April 2024	£7.55 phpc	+29p phpc

Funding for the 9-month-old entitlement

	Hourly rate used to determine funding	Increase compared with 24/25 funding
April 2024	£10.23 phpc	+38p

Using the combination of January 24 known census data for the existing entitlements, and expected take up of the new entitlements, this will result in the following initial indicative overall funding within the Early Years block:

	25/26	24/25	Difference
Universal 3- and 4-year-old entitlement	£11,981,755	£11,724,988	+£256,767
Extended 3- and 4-year-old entitlement	£6,433,924	£6,203,593	+£230,331
2-year-old entitlements	£10,811,771	£7,810,978	+£3,000,793
9-month-old entitlement	£2,866,044	£3,456,511	-£590,467
Expanded 9-month-old entitlement	£10,065,237	-	+£10,065,237
Total	£42,158,731	£29,196,070	+£12,962,661

5 How the EY Block is spent

The EY block is used to fund the following factors:

1. Payment to providers to fund the provision of the free entitlements set out above and the following supplements. It also proposed this year (for the first time) to include a nominal SEND allowance in the funded entitlements for all 3 and 4 year olds.



2. Provision of the EY SEND fund to provide additional resources to support children accessing their free EY entitlements who have high levels of SEND. All LAs are required to allow for this element of funding although it is down to individual LAs to decide upon the nature of the support provided and the funding used to provide it.
3. Provision of a disadvantaged fund to provide additional resources to settings with high levels of children from disadvantaged backgrounds. The provision of this fund is a requirement set out by the DfE although it is down to individual LAs to determine the amount of funding used for this purpose and the basis on which it is allocated.
4. Provision of a sustainability fund to ensure we can continue to offer provision in those areas of the county where numbers of children alone will not generate sufficient funding to cover basic costs for providers. There is requirement for LAs to hold such a fund and, whilst many do, some do not. In a rural county such as ours this has always been considered a necessary element of EY expenditure.
5. Meeting the LA costs for the on-going requirement for the provision of information, support and guidance to EY providers. This element of the block is retained by the LA to cover the costs of employment for those staff supporting EY provision, administration of the funding system and associated core costs of the provision of our service. The DfE stipulate that no more than 4% (previously 5%) of the EY block can be retained by LAs – the remainder must all be passported to providers either through the hourly rate funding or the supplements set out above. The DfE have announced that they plan to reduce the 4% retention threshold to 3% although no deadline has been set for this as yet.

6. Calculating the proposed hourly rate of funding to providers

When calculating the overall spending of the EY block our aim is to ensure we can:

- cover the required supplementary costs set out above
- remain within the 4% ceiling for retained costs and;
- ensure the hourly rates of funding to providers remain as reflective as possible of the costs of provision of high quality, affordable and accessible early learning and childcare

Proposed Supplementary Costs budget for 25/26

A. EY SEND fund:

£1,250,000

Spend in this area has been increasing year on year. This is reflective of the following factors:

- a. Increasing numbers of children presenting at settings with SEND
- b. Increasing complexity of need of those children
- c. Better and earlier identification of individual children's needs



- d. Growing waiting lists for referral into other professional services increasing the work which is required at setting level

For 25/26 we are budgeting for a 10% increase on our 24/25 anticipated spend

B. Provision of the disadvantaged supplement: £300,000

The overall spend on this element of the block has remained at £300k since it was introduced around five years ago. In order to ensure we can offer the highest possible hourly rate of funding to all providers it is proposed that we retain the funding at this level for 25/26

C. Sustainability funding £300,000

Overall spend in this area has increased in recent years mainly due to increases in employment costs. It is envisaged that the introduction of the new entitlements will lead to providers generating more income from the provision of new places as we go forward. We have therefore left the 25/26 budget figure at the same level as the 24/25 allocation.

The overall EY block available for distribution to EY providers through the hourly rate will therefore be reduced by a total of £1,850,000 to cover the costs of the SEND, disadvantaged and sustainability supplements.

This amounts to 4.38% of the overall allocation

D. Central retained costs £1,175,000

We are budgeting for an increase of our central retained costs for 25/26. Apart from the day to day management of the Early Years central team function, we also intend to recruit new EY SEND Advisory Teachers into the service. The role of these new posts will be to provide targeted information, advice and support to providers to support with meeting the needs of our SEND children. It is intended that these officers will work directly with children and providers offering expertise advice and support, with the long term vision of reducing the pressure on the above SEND fund (A). Following discussions with providers, it is also the intention to enhance the centralised training function, offering greater 'free at point of delivery' high quality CPD available to all providers / settings. A small proportion of these retained costs will also be used to enhance and upskill centrally retained colleagues.

The overall EY block available for distribution to EY providers through the hourly rate will therefore be reduced by a total of £1,175,000 to cover the retained costs set out above.

This amounts to 2.78% of the overall allocation, well within the 4% ceiling set out by the DfE and satisfying the 3% target ceiling which will come into effect in the future.

Hourly Rates of Funding for 25/26

For the first time ever, it is proposed to include in the 3 & 4 year old funding a nominal SEND allowance for all children of 10pph - this equates to £114 additional funding per child accessing 30 hours of funding per year. For a setting such as a 26 place school nursery this will bring an additional £2,964 to support the setting in supporting children with SEND.

The following hourly rates of funding to providers is proposed to support the provision of the free entitlements, previous years' rates are included for comparison purposes:

Entitlement	23/24 Rates	Increase	24/25 Rates	25/26	Increase
3&4 YO – both universal and extended	£4.75	+20p	£4.95 (£5.03 EYTPG*)	£5.42	+39p (to include 10p nominal SEND allowance)
2YO – both disadvantaged and expanded	£6.90	No Change	£6.90	£7.15	+15p
9 Month old	N/A	N/A	£9.05	£9.15	+10p

*Early Years Teachers Pay Grant – a mid year additional grant was awarded of 8p per hour – this was passed on in full to providers of 3 / 4 year provision.

Based on the methodology used for the allocation of the indicative budget this will result in the following overall spend of the EY block:

Entitlement	Hourly rate spend	% of indicative allocation	Total available
3&4YO	£17,480,381		£18,415,679
2YO	£10,095,758		£10,811,771
9 Month old	£11,557,592		£12,931,281
Centrally held SEND	£1,250,000		
Sustainability	£300,000		
Disadvantaged	£300,000		
Total Allocation	£40,983,731	97.2%	
Central Retained Costs (Max 4%)	£1,175,000	2.8%	
Total	£42,158,731	100%	£42,158,731



7. Other factors within the overall EY block

There are two other elements of the overall Early Years block. These are:

A. Early Years Pupil Premium (EYPP)

EYPP is paid as an additional amount to any child accessing their free early years entitlements who also meets the eligibility for Free School meals. The hourly rate at which the LA is funded for EYPP will increase by 32p per hour per child to £1 phpc. The expectation is that this rate is passed on in full to eligible children based on a termly headcount. The overall funding allocated through this element of the block is **£287,435**

B. Disability Access Fund (DAF)

DAF is paid to any child who accesses their free early years entitlements who are also eligible for Disability Living Allowance. The annual rate of funding for DAF will increase by £28 to £938 per child in 2025/26. The overall funding allocated through this element of the block is **£192,290**

Approval

Schools Forum are asked to approve the above allocation of funds for the Early Years Block 25/26

