

NORTH LINCOLNSHIRE COUNCIL

SCHOOLS FORUM

EARLY YEARS – DEDICATED SCHOOLS GRANT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This report proposes the base rate and supplements of the Early Years Single Funding Formula (EYSFF) for the year 2025/26 for early education of under two's, two-year-olds, three and four-year olds from the early years block of the Dedicated Schools Grant (EYDSG). The paper is for consultation as the final decision lies with the council.

2. BACKGROUND INFORMATION

- 2.1 Early Years funding is participation based. Funding allocations are currently provisional for 2025/26. Allocations are determined by three census counts (January 2024, 2025, and 2026) for disadvantaged two-year-olds and three and four-year olds, with final allocations published July 2026. Allocations for the new working family entitlement, for parents of two-year-olds and children over nine-months, will be adjusted based on the submission of actual take-up data for the summer and autumn terms 2025 and the January 2026 census.
- 2.2 Funding allocations have increased for entitlements for the 2025/26 financial year with an additional 35 pence, 28 pence and 24 pence per hour per child on the hourly rate for under two years (£10.64) two-year olds (£7.84) and three and four-year olds (£5.71) respectively. Early Years Pupil Premium (EYPP) and Disability Access Funding (DAF) have both increased (32p) to £1 per hour per child and (£28) £938 per annum, respectively.
- 2.3 Children over nine months of working parents may be eligible for 15 hours of funded early learning and care from the term after they become nine months; this increases to 30 hours per week from September 2025. Parents apply to Childcare Choices for an eligibility code to access a funded place. In the autumn term 2024, it is estimated 600 children accessed a funded place.

2.4 Two-year-olds are eligible for a maximum of 15 hours funded early learning and care where:

- their family circumstances mean that they are eligible for free school meals (FSM),
- the family is in receipt of Universal Credit/Tax Credits with an income of approximately £16,000,
- the child is in or has left the care of a local authority, is in receipt of Disability Living Allowance or has an Education, Health, and Care Plan.

Approximately 350 children are eligible each term in North Lincolnshire. Additionally, children of working parents are eligible for a maximum of 15 hours funded early learning and care; this too increases to 30 hours from September 2025. The funding is to support families with the cost of childcare. They too apply to Childcare Choices for an eligibility code to access a funded place. In the summer of 2024, 668 children were accessing a place.

2.5 All three and four-year olds are entitled to a maximum of 15 funded hours early education in the maintained, private, or voluntary sector for 38 weeks of the year; take up is consistently over 90% of children. Children of working parents may also be eligible for an additional 15 funded hours. Approximately 53 per cent of funded children take up the additional funded hours in North Lincolnshire.

2.6 Provider payments for all funding streams are determined using the Early Years Single Funding formula (EYSFF), comprised of a base rate and supplements. EYPP and DAF are ring fenced funding supplements for children that meet eligibility criteria.

3. FINANCIAL AND OTHER RESOURCE IMPLICATIONS

3.1 Funding allocations

The provisional funding allocations for the 2025/26 financial year are:

	Funding Allocation (£)	Part-time Equivalent (pte) Number of children
Under two's (£10.64 per hour per child)	6,037,813	221 (summer term only)/ 775
Disadvantaged 2-year-old funding (£7.84 per hour per child)	1,458,527	326
Working parent 2-year-old funding (£7.84 per hour per child)	4,084,395	203 (summer term only) / 711
Universal Hours 3- & 4-year-old funding (£5.71 per hour per child)	6,494,754	1,996

Extended Hours 3- and 4-year-old funding (£5.71 per hour per child)	2,931,248	901
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A higher hourly rate is payable for children under two and two-year-olds to reflect a higher practitioner to child ratio required, 1:3 and 1:4, respectively.

	Funding Allocation (£)	Part-time Equivalent (pte) Number of children
Early Years Pupil Premium (EYPP) £1 per hour per child – ring fenced 3- and 4-year-olds 2-year-olds Under two's	319,981 130,428 11,737	561 229 21
Disability Access Funding (DAF) £938 per annum lump sum – ring fenced 3-and 4-year-olds 2-year-olds Under two's	102,242 27,202 6,566	109 29 7
Total EY ring fenced supplements	598,156	-

For children to be eligible for EYPP, their families must meet the FSM criteria and/or the child must be in care or have left care under an adoption, child arrangements or special guardianship order. The funding is payable for universal hours only. DAF is payable, to support inclusion, for children with a disability in receipt of Disability Living Allowance.

The council are required to pass through a minimum of 96% of EYDSG to providers of funded early education, it should be noted that the pass-through rate has increased by 1% for 2025/26. It is proposed to retain the following:

Funding stream	Pass-through rate %	Allocation £
Under two's (working families)	96	241,513
Disadvantaged two-year olds	97	43,756
Working families two-year olds	97	122,532
Three and four-year olds	96	377,040
Total Centrally Retained		784,840
Increase of		200,949

Retained funds support early years services provided by the council. The proposals comply with the requirement to pass through at least 96% of all funding streams.

3.2 Sector consultation

There have been no changes to the Early Years Single Funding formula for 2025/26 from the Department for Education other than the requirement to pass through 96% of funding to the early years sector. There has been no consultation with the sector.

3.3 Supplements

The EYSFF must include a deprivation supplement for three- and four-year-olds; other supplements can be tailored to the local childcare market. Supplements must be no more than 12 per cent of the total value of planned funding to be passed through to providers.

During consultation in 2023, it was proposed to extend the deprivation supplement to all funding streams; settings were in favour of this. It is proposed to maintain the rate at 12p per hour per child. This is payable for a maximum of 15 hours only. The funding criteria will correspond with that of EYPP.

A lump sum allocation of either £4500 or £7000 as a Sufficiency Lump Sum is also proposed to continue in 2025/26. The council have a duty to ensure that there are sufficient childcare places to meet demand. For a provider to be eligible there must be no other 0-5-year-old childcare provision within 1½ miles of the provider, and they must not benefit from economies of scale.

It is also proposed to allocate £300,000 towards funding inclusion of early years children within settings. This will be topped up to meet demand through an allocation from the High Needs Block.

3.4 Under two's

The EYDSG provisional allocation for children over nine months to two years after the centrally retained deduction is £5,796,300.

To project funding and ensure affordability of any proposed funding, formula scenarios have been modelled using pte numbers of children in the calendar year 2024, plus an estimate of additional funded hours from September 2025 to reflect the increasing entitlement for working families.

Base rate: £10.18 per hour per child (43p increase)
Deprivation: 12p per hour per child
EYPP: £1 per hour per child

Projected numbers of under two's	Estimated budget required (£)	EYPP (£)
Summer 2025 12 weeks (pte number - 742.72 children)	1,361,273	2658

Autumn 2025 14 weeks (pte number – 1290.57 children)	2,759,708	5317
Spring 2026 12 weeks (pte numbers – 1505.67 children)	2,759,708	6049
Total Expenditure	6,880,690	14,024

Projections demonstrate an overspend of £842,876; however, the projections are based on a pte of 1185.49 in excess of the 995.55 pte estimated by the Department for Education. If the projections are in line with take-up, additional funding will be allocated based on the termly census counts by the Department for Education.

3.5 Two-year-old funding

The EYDSG provisional allocation for two-years after the centrally retained deduction is £5,376,634.

To project funding and ensure affordability of any proposed funding, formula scenarios have been modelled using pte numbers of children in the calendar year 2024, plus an estimate of additional funded hours from September 2025 to reflect the increasing entitlement for working families.

Base rate: £7.58 per hour per child (12p increase)
 Deprivation: 12p per hour per child
 EYPP: £1 per hour per child

Projected numbers of two-year-olds	Estimated Disadvantaged children £	Estimated children of working family's £	Deprivation	EYPP £
Summer 2025 (pte numbers – 941.86 children)	464,735	820,335	4,433	36,945
Autumn 2025 (pte number – 1713.91 children)	531,248	2,196,955	11,458	95,486
Spring 2026 (pte numbers – 1947 children)	459,882	2,196,955	11,458	95,486
Total Expenditure	1,455,865	5,214,245	27,349	227,917

Projections demonstrate an overspend of £1,280,825; however, the projections are based on a pte of 1,543.79 in excess of the 1,239.38 pte estimated by the Department for Education. If the projections are in line with take-up, additional funding will be allocated based on the termly census counts by the Department for Education.

3.6 Three and four-year old funding

The EYDSG provisional allocation for three and four-year olds after the centrally retained deduction is £9,048,962 for the universal and extended funded hours.

To project funding and ensure affordability of any proposed funding, formula scenarios have been modelled using pte numbers of children in the calendar year 2024. It should be noted the pte numbers of children in the projections are fractionally lower than those in the EYDSG funding allocation, as such with all scenarios there is a contingency (£276K). This ensures affordability of the formula and flexibility to fund an increasing number of children.

Proposal:

Base rate: £5.45 per hour per child (27p increase)

Deprivation: 12 p per hour per child

EYPP: £1 per hour per child

Sufficiency Lump Sum: £7000/£4500

Projected numbers of three and four-year olds	Estimated Universal children & supplements		Estimated Extended children		EYPP
	pte	£	pte	£	£
Summer 2025	1340	2,368,182	635	1,061,918	123,918
Autumn 2025	1889	1,749,225	706	809,859	78,558
Spring 2026	1446	1,962,398	646	893,355	98,349
Total Expenditure		6,079,805		2,765,132	300,825

3.7 Population projections

Population projections are presented for three and four-year-olds for three terms of the financial year 2025/26. The projections are based on doctor registrations in each ward of North Lincolnshire; adjusted to reflect average take-up of funding for both universal and extended hours.

If take-up of the population is as estimated the initial funding allocation will be roughly correct with limited adjustment.

Population Projections

	Universal 15 Hours		Extended 15 Hours	
	Population	Funded Hours	Population	Funded Hours
Summer 2025	2,706	487,080	1,527	274,8860
Autumn 2025	1,606	337,260	909	190,890
Spring 2026	2,207	397,260	1,253	225,540
Total – PTE Hours (estimated North Lincs)	2105		1015	
Dedicated Schools Grant – PTE Hours	1995		900	

4. OTHER IMPLICATIONS

- 4.1 The statutory guidance states that all Ofsted registered childcare is eligible to deliver funded early education places, including schools, academies, private and voluntary day nurseries and pre-schools, as well as childminders and after school clubs. Each provider is subject to an agreement that includes diversity and equality.
- 4.2 The Disability Access Fund supports accessibility for children with a disability at their chosen setting. An Early Years Inclusion Fund is also available for providers to apply for additional funds to support children with emerging SEND or and Education, Health and Care Plan (the funding is from both the EYDSG and the High Needs DSG).
- 4.3 The funding is participation based, as such providers receive funding based on registered children's hours each term. Supplements recognise and tailor the funding to the differentiated cost of delivery where applicable. Deprivation funding and the EYPP support providers to target cohorts of children to narrow the gap in educational achievement.

5. RECOMMENDATIONS

- 5.1 That members note the provisional funding allocation in relation to the Early Years Block of the DSG for 2025/26.
- 5.2 That members support the proposed pass-through rates for the centrally retained funding.
- 5.3 That members support the proposed base rates of:
 - Under two's - £10.18 per hour per child
 - Two-year-olds - £7.58 per hour per child
 - Three and four-year-olds - £5.45 per hour per child
- 5.3 That members support the proposed local supplements of the EYSFF – deprivation (12p per hour per child) and sufficiency lump sum (£7000/£4500).
- 5.3 That members support an increase in EYPP and DAF to nationally funded rates (£1 per hour and £938 lump sum respectively).

EARLY YEARS MANAGER SUFFICIENCY AND QUALITY

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Background Papers used in the preparation of this report –

Dedicated schools grant (DSG): 2025 to 2026 financial year allocations
Early years entitlements: local authority funding operational guidance 2025 to 2026