
SUBJECT: Early Years Block 2025/26 Update
DATE: 21st January 2025
RECIPIENT: Schools Forum

1. Purpose of this report

1.1 To provide information on initial 2025/26 early years budgets announced in December 2024 by the Education & Skills Funding Agency (ESFA).

2. Background

2.1 As announced in the 2024 Autumn Budget, Government expects to provide over £8 billion for the early years' entitlements in 2025/26, an increase of more than 30% compared with 2024/25, due to the expansion of the entitlements.

2.2 On 10th of December 2024, DfE published the new early years local authority core funding rates for 2025/26 as follows:

- The national average three and four-year-old hourly funding rates of local authorities is increasing by 4.1%,
- The two-year-old hourly funding rates is increasing by 3.3%,
- The nine months to two-year-old hourly funding rate is increasing by 3.4%

As usual, the hourly funding rates will vary between local authorities, reflecting the relative needs of the children and different costs of delivering provision across the country.

2.3 From September 2025, on top of over £8 billion through the core funding rates Government will be investing an additional £75 million of revenue funding in 2025/26 through an expansion grant, recognising the significant effort and planning to prepare for the final phase of the expansion. This grant is on top of over £8 billion provided through the core funding rates.

2.4 The early years allocations are currently based on the January 2024 pupil census count; they will be updated in July 2025 to reflect the January 2024 pupil census count and again in July 2025 so that 5/12 of the allocation reflects the January 2025 pupil census count.

2.5 Local authorities are expected communicate their rates to providers by **28th February 2025**. This will become mandatory from 2026-27.

3. Early Years Block 2025/26 Update

3.1 The indicative budgets for 2025/26 are set out below table.

	2025-26 DSG			2024-25 DSG			Net Change			% Change
	Pupil Nos.	Unit Value £s	DSG funding £m	Pupil Nos.	Unit Value £s	DSG funding £m	Pupil Nos.	Unit Value £s	DSG funding £m	
Under 2 Year Olds (Schs + PVI)	1,157.64	12.74	8.41	479.45	12.55	3.43	678.19	0.19	4.98	145.1%
2 Year Old disadvantaged (Schs + PVI)	507.65	9.34	2.70	507.65	9.20	2.66		0.14	0.04	1.5%
2 Year Old working parents (Schs + PVI)	1,062.80	9.34	5.66	684.82	9.20	3.59	377.98	0.14	2.07	57.6%
3&4 Year Old (Schs + PVI)	3,150.39	6.62	11.89	3,150.39	6.48	11.64		0.14	0.25	2.2%
3&4 Year Additional (Schs + PVI)	1,305.83	6.62	4.93	1,305.83	6.48	4.82		0.14	0.10	2.2%
EYPPG - 3&4 Year Olds	765.90	1.00	0.44	765.90	0.68	0.30		0.32	0.14	47.1%
EYPPG - 2 Year Olds	357.87	1.00	0.20	357.87	0.68	0.14		0.32	0.07	47.1%
EYPPG - Under 2 Year Olds	32.21	1.00	0.02	26.76	0.68	0.01	5.45	0.32	0.01	77.0%
MNS - 3&4 year olds	49.07	5.27	0.15	49.00	4.64	0.13	0.07	0.63	0.02	13.7%
DAF - 3&4 Year Olds	205.00	1.65	0.19	193.00	1.60	0.18	12.00	0.05	0.02	9.5%
DAF - 2 Year Olds	51.00	1.65	0.05	58.00	1.60	0.05	-7.00	0.05	(0.00)	-9.4%
DAF - Under 2 Year Olds	15.00	1.65	0.01	16.00	1.60	0.01	-1.00	0.05	(0.00)	-3.4%
Total Early Years Block	8,660.36		34.64	7,594.67		26.96	1,066		7.68	28.5%

3.2 There are currently gaps in both the provision and quality of early years education, particularly for disadvantaged children. To address this, the largest-ever increase to the Early Years Pupil Premium (EYPP) has been implemented. EYPP rates will rise by 47.1% per hour in 2024/25, reaching £1 per hour in 2025/26. This equates to up to £570 per eligible child annually (£1/hr x 15 hrs/week x 38 weeks/year).

3.3 Eligible children can also receive £938 per child per year through the disability access fund to support reasonable adjustments for children with a disability. Government also expects to spend £92.6 million on maintained nursery school (MNS) supplementary funding in 2025/26, in recognition of the additional costs that MNSs face.

3.4 The key change in 2025/26 is that from April 2025, minimum pass-through requirement will increase, meaning that local authorities must pass on **at least 96% of funding to providers**, as part of a phased approach to a 97% pass-through in the future.

3.5 This is a demand led budget. Along with the impact of increase in population, cost of living increases effecting eligibility and unknown take up of the new entitlements results in uncertainty to the forecasts and allocations.

3.6 SCC will be consulting with providers on the detail of some of these changes shortly, as well as working through the associated cost implications to central services

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