

Schools Forum - 14 January 2025

Title:	Early Years Block Budget 2025/26
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Summary To inform Forum of the provisional Dedicated Schools Grant (DSG) Early Years (EY) Block Budget for 2025/26, noting that the figures contained in the report are provisional and indicative and will be submitted for formal agreement to full Council in March 2025.	
Recommendation:	
1	That Forum notes the indicative Dedicated Schools Grant allocations for the Early Years Block for 2025/26, as provided by the Education and Skills Funding Agency (as detailed in the report).

1. Funding allocation from ESFA

- 1.1 The table below shows the indicative EY Block funding allocation for 2025/26 and its prior year comparators:

2021/22	2022/23	2023/24	2024/25	2025/26
£m	£m	£m	£m	£m
20.606	21.250	21.811	31.538	38.694

- 1.2 The significant increase in 2025/26 compared to previous years is primarily due to additional funding being provided for the extension in the early years entitlements that have been phased in over the 2024/25 and 2025/26 financial years for children from 9-23 months to support working parents.

2. Background (including outcomes of consultation)

2.1 Early Years Block DSG Allocation

- 2.1.1 The LA's EY Block allocation is based on the EY National Funding Formulae (EYNFF) which was introduced in April 2017. The EYNFF dictates the hourly rate that each LA receives for 3 & 4-year-olds.

- 2.1.2 From September 2025, working parents for 0-23months will be entitled to 30 hours of funded childcare.
- 2.1.3 For 2025/26, Nottingham City is being funded for 3 & 4-year-olds at £5.94 per hour, £8.62 per hour for 2-year-olds and £11.78 for under 2s. However, LAs need to factor in administration and central expenditure to support this.
- 2.1.4 The national funding rate for EY Pupil Premium funding has increased by 32p, taking the rate to £1.00 per hour per eligible child.
- 2.1.5 The national funding rate for the Disability Access Fund has been increased by £28, taking the rate to £938 per annum per eligible child.
- 2.1.6 The LAs provisional EY block allocation, as published on 18 December 2024, is £38.694m, based on January 2024 pupil numbers. Final allocations will be based on 5/12ths x January 2025 pupil numbers and 7/12ths x January 2026 pupil numbers.
- 2.1.7 This provisional allocation is split between:
- 3 & 4-year-old universal (15 hours) entitlement (£14.852m);
 - 3 & 4-year-old extended (30 hours) entitlement (£4.741m);
 - 2-year-old funding entitlement (15 hours) for families receiving additional support (£4.581m);
 - 2-year-old funding entitlement (15 hours until September 2025, when this will increase to 30 hours) for working parents (£5.384m);
 - Under 2s funding entitlement (15 hours until September 2025, when this will increase to 30 hours) for working parents (£8.015m);
 - Early Years Pupil Premium (EYPP) (£0.671m);
 - Early Years Disability Access Fund (DAF) (£0.257m);
 - Maintained Nursery Supplementary (MNS) Funding (£0.194m).

The table below shows the 2024/25 comparators:

	2024/25 Revised Budget, updated Nov 2024	2025/26 Budget, December 2024	Change to prior years
Early Years Block	£m	£m	£m
3 & 4-year-old indicative funding – schools universal	14.302	14.852	0.550
3 & 4-year-old indicative funding – schools extended	4.565	4.741	0.176
3 & 4-year-old DAF funding to passport	0.167	0.184	0.017
2-year-old funding – providers disadvantaged	4.443	4.581	0.138
2-year-old funding – providers working parents	3.365	5.384	2.020
Under 2's (9–24months)	3.344	8.015	4.671
EYPP 3 & 4-year-olds	0.309	0.454	0.145
EYPP 2-year-olds	0.135	0.198	0.063
EYPP under 2's	0.015	0.018	0.003

2-year-old DAF	0.050	0.051	0.001
Under 2 DAF	0.020	0.023	0.002
Maintained nursery schools	0.171	0.194	0.023
SUB TOTAL PROVISION BUDGETS	30.885	38.694	7.809

2.2 The amount of permissible centrally retained expenditure is being reduced from 5% to 4% for 2025/26, with a view to a further reduction to 3% in 2026-27.

2.3 The centrally retained allocation for 2025/26 remains unchanged at £1.025m, as agreed at School's Forum on 10 December 2024. However, it is proposed that following government DSG allocation settlement for Nottingham being more than anticipated, the LA will go out to consultation in the following weeks to ensure that the centrally retained element is maximised as much as possible to help support Nottingham City Council to improve outcomes for its 0 to 5-year-old cohort.

3. **Other options considered in making recommendations**

3.1. No other options are available for consideration as the recommendations align to the financial regulations issued by the DfE in relation to the allocation of DSG.

4. **Outcomes/deliverables**

4.1 To obtain an agreed Early Years Budget for 2025/26 to enable the LA to fulfil its statutory duty of issuing local provider hourly rates for 2025/26 by the national deadline of 28 February 2025.

5. **Consideration of Risk**

5.1 Consultation on the local provider hourly rates will be undertaken with providers in line with national guidance prior to the LA confirming its local provider hourly rates for 2025/26 by 28 February 2025.

6. **Other relevant comments**

6.1 None.

7. **List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

7.1 None.

8. **Published documents referred to in writing this report**

8.1 Schools Forum report 'Early Years Central Expenditure 2025/26 proposal' – 10 December 2024.