

**CITY OF WESTMINSTER
SCHOOLS' FORUM – 13th JANUARY 2025**

**REPORT BY THE LEAD STRATEGIC FINANCE MANAGER
CHILDREN'S SERVICES**

EARLY YEARS BUDGETS 2025/26 - INITIAL ALLOCATION

This report provides information on initial 2025/26 early years budgets announced in December 2024 by the Education & Skills Funding Agency (ESFA) and the methodology for allocating funding to providers.

FOR DECISION

1 INTRODUCTION

- 1.1** The ESFA published initial 2025/26 early years budgets in December 2024. These budgets are currently based on the January 2024 census.
- 1.2** Budgets for 2025/26 will be further updated during 2025/26 to take account of more recent census data once this is available.

2 EARLY YEARS BUDGETS 2025/26 - INITIAL ALLOCATION

- 2.1** The ESFA have published the 2025/26 early years allocation and the indicative budgets are set out below in Table 1 below:

WCC Budgets - £m	2025/26 Initial	24/25**	Change
Universal Entitlement (3/4YO) - 15hrs *	9.164	8.921	0.243
Working Family Entitlement (3/4YO) - 30hrs *	1.640	1.597	0.043
Disadvantaged 2YO Entitlement - 15hrs	2.090	1.997	0.092
Working Family Entitlement (2YO) - 15hrs	1.979	1.219	0.760
Working Family Entitlement (9 month to 2YO) - 15hrs	3.025	0.950	2.075
Early Years Pupil Premium (3/4YO)	0.190	0.129	0.061
Early Years Pupil Premium (2YO)	0.051	0.034	0.016
Early Years Pupil Premium (9 month to 2YO)	0.005	0.004	0.000
Disability Access Fund (3/4YO)	0.084	0.076	0.009
Disability Access Fund (2YO)	0.014	0.019	(0.005)
Disability Access Fund (9 month to 2YO)	0.005	0.002	0.003
Maintained Nursery Supplement (3/4YO)	1.026	1.129	(0.103)
Total	19.272	16.077	3.196

*Includes annualised EYBG (Early Years Budget Grant) in 24-25 for comparison purposes

**At November 2024. The final funding allocation for 2024/25 will be published in July 2025

2.2 For 2025/26 there were a small number of changes made by the ESFA. The main changes are:

- an increased minimum pass-through requirement for local authorities in 2025 to 2026 – the pass-through rate to providers will increase from 95% to 96%;
- an expectation that local authorities will announce their funding rates to childcare providers by 28 February 2025, which is intended to be mandated as a requirement from 2026/27; and
- increased guidance on expectations around SENIF arrangements and greater detail on how DAF should be allocated and distributed.

3 EARLY YEARS HOURLY AND PASS-THROUGH RATES 2025/26

3.1 The ESFA released initial allocations and funding rates in December 24.

Westminster's Early Years National Funding Formula (EYNFF) hourly rate for 3 and 4-year-olds will increase from £8.60* to £8.77 in 2025/26 – this is an increase of just under 2%. The EYNFF rate is multiplied by the total number of children expected to access 15 or 30-hours of free childcare across the borough to produce the universal and working family entitlement budgets.

*The 2024/25 rate is made up of EYNFF (£8.45) plus EYBG (£0.15). From 2025/26, the Early Years Budget Grant (EYBG) will be rolled into the EYNFF.

3.2 The 2025/26 EYNFF rate for the disadvantaged 2-year-old entitlement has increased from £11.88 to £12.43 (4.6%).

The 2025/26 EYNFF rate for the 2-year-old working family entitlement is £12.43.

3.3 The 2025/26 EYNFF rate for the 9 months to 2-year-old working family entitlement has increased from £16.21 to £17.44 (7.6%)

3.4 2025/26 budgets are indicative and based on January 2024 census data. These initial allocations will be updated later using census data from January 2025 and January 2026.

3.5 In the summer of 2023, the previous government consulted on the minimum pass-through requirement and outlined their intention to increase this from 95% to 97% once the new entitlements were sufficiently embedded. This change to the minimum pass-through requirement will be introduced for 2025/26 by increasing the minimum pass-through requirement for local authorities from 95% to 96%. Local authorities can retain 4% of these funding streams to support the provision of central early years-related services.

3.6 Local authorities are required to pass at least 96% separately to the entitlements for each funding stream (the 3-and-4-year-old universal and 30 hours offer; the two-year-old disadvantaged and working parent offers; and the 9 months to two-year-old offer). This is referred to as the hourly 'pass-through' rate. For 3 and 4-year-olds, whilst the minimum pass-through requirement is increasing, there is no change to the approach of how this will be calculated, and the pass-through requirement will apply to the universal and additional hours in combination. For

2-year-olds and under, the requirement will apply to each of the entitlements individually.

- 3.7** From the 96%, budgets are then set aside for Deprivation (passed on a supplement to those in IDACI bands A-F and calculated at 10% of the hourly pass-through rate), the SEN Inclusion Fund and contingency funding (to manage fluctuations in numbers not captured in census data – e.g. peaks in summer months that are no longer apparent by the time of the next census). The budget remaining is divided by the total number of hours the ESFA expect to be accessed to calculate the hourly pass-through rate.
- 3.8** The hourly pass-through rate has been calculated per Table 2 below and the calculations are set out in [Appendix A](#).

	25/26 Pass-Through Rates (initial allocation)	24/25 Rates* (incl. EYBG)
Universal Entitlement (3/4YO) - 15hrs	£7.67	£7.55
Working Family Entitlement (3/4YO) - 30hrs	£7.67	£7.55
Disadvantaged 2YO Entitlement - 15hrs	£10.87	£9.98
Working Family Entitlement (2YO) - 15hrs	£10.87	£9.98
Working Family Entitlement (9 month to 2YO) - 15hrs	£15.25	£13.60

**Includes annualised EYBG (Early Years Budget Grant) for comparison purposes*

- 3.9** Budgets for Early Years Pupil Premium (EYPP), Disability Access Fund (DAF) and the Maintained Nursery Supplements (MNS) shown in Table 1 are ringfenced and therefore excluded from the above pass-through hourly rate calculations.

The MNS hourly rate is £10.00 in line with the phased capping agreed with the DfE (the 2024/25 capped hourly rate was £11.00). Per the agreement, the MNS hourly rate from 2025/26 will be harmonised with DfE national rates / capping.

The EYPP rate is £1.00 per hour and DAF is £938 per eligible child per year for 2025/26.

- 3.10** 2025/26 will be year 3 of the phased reallocation of the maintained nursery school's supplementary funding as agreed at January 2023 Forum following a consultation with the maintained nurseries. The agreed methodology for the maintained nursery supplement allocations was a weighted split between the maintained nurseries based on census numbers (updated annually each January) in different groups, with more weighting applied to 3–4-year-olds.
- 3.11** The EYBG (Early Years Budget Grant) will be rolled into the early years block of the DSG from 2025/26 and will therefore not be paid separately.

4 NATIONAL WRAPAROUND CHILDCARE PROGRAMME

- 4.1** The national wraparound childcare programme is part of the childcare reforms announced at the 2023 Spring Budget.

- 4.2** The Government's ambition is that by 2026, all parents and carers of primary school-aged children who need it will be able to access term time childcare in their local area from 8am-6pm, so that parents can access employment and improve labour market participation.
- 4.3** The programme is now underway in Westminster and while indicative allocations have been provided for 2025/26 further details and requirements are awaited from the DfE.

5 RECOMENDATIONS

- 5.1** Schools' Forum is asked to note the methodology used to arrive at the budgets and hourly pass-through rates for providers in 2025/26, which is transparent, in line with DfE guidelines and deemed to strike a balance between allocating the maximum available to all providers while also allowing for eligible children to benefit from funding for deprivation and the SEN Inclusion Fund.
- 5.2** Schools' Forum is asked to note that the budget set aside for contingency is prudent and strikes a balance between providing a safeguard for managing fluctuations and maximising the amount passed directly to all providers through the hourly base rate.
- 5.3** Schools' Forum is asked to note the reduction in funding for maintained nurseries in line with the DfE reduced capping for 2025/26.
- 5.4** Schools' Forum is asked to consider the content of this report and agree the hourly rates to be paid to providers of early years childcare and education in 2025/26 as set out in [Appendix A](#).

Anita Stokes
Lead Strategic Finance Manager – Bi-Borough Children's Services

Sarah Newman
Bi-Borough Executive Director of Children's Services

Contact officers:

Rahul Ganatra, Finance Manager – Bi Borough Schools and Education
Tel: 07890397063 **E-mail:** rganatra@westminster.gov.uk

Iraklis Kolokotronis, Head of Bi-Borough Early Education & Childcare Service
Tel: 07811 861530 **Email:** Iraklis.Kolokotronis@rbkc.gov.uk

Background Papers:

Early years entitlements: Local Authority funding of providers operational guide 2025 to 2026: <https://www.gov.uk/government/publications/early-years-funding-2025-to-2026/early-years-entitlements-local-authority-funding-operational-guide-2025-to-2026#introduction>

Appendix A – indicative early years budget 2025/26 (hourly rate methodology).