



**Schools Forum**  
27 January 2025

**Report from the Corporate Director  
of Children and Young People**

**Early Years National Funding Formula (EYNFF) 2025/26**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	N/A
<b>List of Appendices:</b>	None
<b>Background Papers:</b>	None
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**1.0 Executive Summary**

- 1.1. This report seeks Schools Forum endorsement of the local EY Funding Formula for 2025/26, following the confirmation of the DSG Early Years' (EY) Block funding for Brent.
- 1.2. The 2025/26 EY Block funding for Brent is £41.4m, an increase of £7.1m from 2024/25 allocations.

**2.0 Recommendations**

- 2.1 The Schools Forum is asked to note the requirement for local authorities to have an additional support 2-year-old rate that is at least equal to the rate for 2-year-old children of working parents.

2.2 The Schools Forum is asked to endorse Brent's EY Funding Formula for 2025/26, as supported by the EY Funding Subgroup. The following updates have been applied to the Early Years National Funding Formula (EYNFF):

- a) A universal base rate for Brent providers for 3 and 4-year-old funding of £5.76 per hour. This represents a 6.7% increase of £0.36p from £5.39 in 2024/25.
- b) An allocation for deprivation supplement of 10% from the 3 and 4-year-old funding allocation and a discontinuation of the 2% quality supplement as agreed by the EY Subgroup of this forum.
- c) A base rate of £9.77 to pay Brent providers for the additional support (formerly known as the disadvantaged) 2-year-old entitlement. This represents a 2.4% increase of £0.23 from £9.54 in 2024/25.
- d) A base rate of £9.44 to pay Brent providers for the 2-year-old working parent entitlement. This represents a 0.3% increase of £0.03 from £9.41 in 2024/25.
- e) A base rate of £12.92 to pay Brent providers for children aged 9 months up to 2 years. This represents a 0.4% increase of £0.05 from £12.87 in 2024/25.
- f) A reduction from 5% to 4% centrally retained funding by the local authority from 3 and 4-year-old funding, following the DfE's mandatory requirement to pass through a minimum of 96% of this funding to early years providers.
- g) An introduction of a 2% centrally retained funding by the local authority from 9-months old to 2-year-old working parents with no central expenditure deductions from the 2-year-old additional support entitlement to support the uptake of provision for this cohort.
- h) An allocation of £0.587m for special educational needs inclusion funds (SENIF), in line with the DfE's expectation that local authorities earmark this funding for children with special educational needs (SEN) eligible for or taking up the new and existing entitlements, regardless of the number of hours taken and based on local eligibility. This funding will be allocated by the Under 5s Nursery Panel, and both PVI and maintained providers can apply for this to ensure the funding continues to be targeted at vulnerable children.

2.3 The Schools Forum is asked to note an expectation that local authorities will announce their funding rates to childcare providers by 28 February 2025. The government intends to mandate this as a requirement in the regulations from the financial year 2026/27.

### 3.0 Contribution to Borough Plan

3.1 This report is linked to the Council's Borough Plan which aims to support babies, children and young people get the best start in life, by working in partnership with schools and other partners to make sure access to education is fair and equal.

### 4.0 Summary of funding for Brent

4.1 The 2025/26 Brent EY Block funding has increased by £7.1m to £41.4m compared to 2024/25. £12.6m (31%) of the total allocation relates to the new entitlements for eligible working parents with the hours set to increase from 15 to 30 hours from September 2025.

4.2 The indicative supplementary funding allocations for maintained nursery schools (MNS) has increased by 12.9% from £0.886 to £1m and the funding rate has increased by £0.81p from £6.27 to £7.08 in 2025/26.

4.3 The EYNFF hourly rate for 3 and 4-year-olds has increased from £6.59 in 2024/25 to £6.80 in 2025/26. This represents a 3.2% increase of £0.21p. Table 1 below sets out the key EY funding amounts.

#### 4.4 Table 1: EYNFF funding rates

<b>3 and 4-year-olds</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Universal 15 hours allocation	£16.0m	£17.8m	£18.4m
Additional 15 hours allocation	£4.0m	£4.8m	£4.9m
Hourly rate before central spend	£5.93	£6.59	£6.80
Maximum % for central spend	5%	5%	4%
Hourly rate after central spend removed	£5.63	£6.26	£6.53
Maximum % for deprivation	10%	10%	10%
Maximum % for quality supplement	2%	2%	0%
3 and 4-year-old base rate	£4.84	£5.39	£5.76
MNS supplementary funding	£0.778m	£0.886m	£1.0m
MNS supplementary funding rate	£5.70	£6.27	£7.08
<b>2-year-olds</b>			
2-year-old additional support funding allocation	£3.1m	£4.0m	£4.1m
2-year-old working parents funding allocation	n/a	£3.3m	£5.1m
Hourly rate for 2-year-old allocation	£6.84	£9.59	£9.77
<b>Under 2-year-olds</b>			
Under 2-year-old working parents funding allocation	n/a	£3.3m	£7.6m
Hourly rate for under 2 working parent	n/a	£13.07	£13.32

4.5 In the summer of 2023, the previous government consulted on the minimum pass-through requirement and outlined its intention to increase this from 95% to 97% once the new entitlements were sufficiently embedded. This change has now been introduced with a minimum pass-through requirement for local authorities increased from 95% to 96% for 2025/26. This new requirement will apply separately to all early years' entitlements from 9 months to 4 years old. Whilst the increased pass-through rate has resulted in a reduction of £0.2m from the previously allocated central spend that was deducted from the 3 and 4-year-old funding, this impact has been mitigated by a 2% deduction from the under 2- to 3-year-old working parent entitlement, resulting in an increased allocation of £17k for central expenditure from 2024/25. This surplus will be used to fund increases in salary costs due to increased pay awards. A 4% retention from the 3 and 4-year-old entitlement at this stage represents a gradual move towards the mandatory 97% pass-through rate from 2026/27.

## **5 A universal base rate for Brent providers for 3 and 4-year-old funding**

5.1 The 3 and 4-year-old funding will be distributed to providers as a universal base hourly rate plus additional allocations for deprivation following a 4% reduction for central spend. The universal base rate to providers has increased from £5.39 in 2024/25 to £5.76 in 2025/26 as shown below:

a) Overall hourly rate received from DfE	£6.80
b) Remove central spend of 4%	£6.53
c) Allocate to Specialist Nursery Panel (0.13p)	£6.40
d) Reduce by allocation for deprivation (£6.40 x 90%)	£5.76

5.2 Funding supplements are amounts of funding paid to providers in addition to the base rate to reflect local needs or policy objectives. The DfE requires local authorities to use a supplement to recognise deprivation in their areas. In Brent, the maximum 10% allowable for supplements is applied to deprivation and it is proposed to continue to apply this rate to the 3 and 4-year-old entitlement for 2025/26. This equates to £0.64p per hour.

5.3 The DfE took the decision to mainstream the teachers' pay and pensions grant into the 2024/25 EYNFF. Several local authorities raised concerns that schools-based nurseries would no longer receive the teachers' pay and pensions grant as a separate grant. To address these concerns, the government increased the total planned value of funding supplements to no more than 12% of the total value of planned formula funding to providers, compared to 10% in 2023/24. This approach allowed local authorities the flexibility to use the additional 2% to fund pressures that some providers might face from, for example, addressing the need to pay contributions to the teachers' pension scheme.

5.4 Local authorities were not required to use this additional flexibility. However, to ensure that schools continued to have visibility of this funding, following the EY subgroup's recommendation, the Schools Forum agreed in January 2023 to use the quality supplement to apply the additional flexibility to replace the previous teachers' pay and pensions grant that was paid by the DfE. The quality supplement applied to Brent school-based nurseries and PVIs that met the

criteria (£413k in 2024/25 at £0.12p per hour). For 2025/26, members of the EY subgroup have reviewed the application of the quality supplement and agreed on a revised approach to recognise the various levels of qualifications held by staff at all settings. The group agreed to discontinue the application of the quality supplement from the 2025/26 financial year. This would result in a distribution of £0.560m funding that would have been earmarked to all settings by inclusion in the universal base rate of £5.76.

- 5.5 The MNS supplementary funding has been revised to an hourly funding rate that is inclusive of the teachers' pay and pensions grant.
- 5.6 Deprivation is allocated based on an index called Income Deprivation Affecting Children Index (IDACI), which allocates a score according to postcodes. The index was updated by the DfE based on 2019 data, as prior to 2020/21, 2015 data was being used. Similarly, to recent years, the 2019 IDACI scores will be used to allocate deprivation funding for 2025/26.

## **6 Base rates for Brent providers for 2-year-old funding for 2025/26**

- 6.1 For 2025/26 the 2-year-old additional support provisional allocation is £4.1m, an increase of 2% from the last financial year and the 2-year-old working parents' provisional funding is £5.1m, an increase of 58% mainly due to the 15 hours entitlement for eligible working parents of 2-year-old children (due to be extended to 30 hours from September 2025).
- 6.2 The EYNFF rate for 2-year-old funding will increase from £9.59 per hour in 2024/25 to £9.77 per hour.
- 6.3 The DfE's provisional funding estimates are based on the January 2024 census data and as expected, the actual funding allocation for 2025/26 has increased, reflecting the increase demand for childcare for 2-year-olds compared to January 2023 figures.
- 6.4 The government mandates local authorities to have a disadvantaged 2-year-old rate that is at least equal to their rate for 2-year-old children of working parents. It also recognises the expectation that local authorities have SENIFs for all children with SEN. In line with this, the proposal to distribute this rate to providers is as set out below:

### Base rate for the disadvantaged 2-year-old entitlement:

a) Overall hourly rate received from DfE	£9.77
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### Base rate for the working parents of 2-year-olds' entitlement:

a) Overall hourly rate received from DfE	£9.77
b) Allocation for central spend (2%)	£9.57
c) Allocate to Specialist Nursery Panel (0.13p)	£9.44

## **7 A base rate for Brent providers for under 2-year-old funding**

- 7.1 The new 15-hour childcare entitlement for working parents of children aged 9 months to 2 years old was introduced in September 2024.
- 7.2 For 2025/26, the EYNFF rate for under 2-year-old funding is £13.32 per hour.
- 7.3 The local authority proposes to deduct 2% from this funding allocation to contribute towards the cost of central services and as with the other free entitlements, deduct £0.13p from the pass-through rate for a contribution towards SENIF. The rate is to be applied as follows:

### Base rate for the working parents of 9 months to 2-year-olds entitlement:

a) Overall hourly rate received from DfE	£13.32
b) Allocation for central spend (2%)	£13.05
c) Allocate to Specialist Nursery Panel (0.13p)	£12.92

## **8 Retention of funding for Central Spend**

- 8.1 The DfE guideline mandates local authorities to pass through a minimum of 96% of the EY funding to providers of childcare and local authorities can retain up to 4% for central expenditure.
- 8.2 The central spend supports EY services as set out below. A significant number of Brent EY settings access this support and regard it as highly valued. The services include:
- Providing specialist Early Years advice and guidance to nursery schools, Early Years' settings and Family Wellbeing Centres to improve the quality of early learning.
  - Supporting the inclusion of young children who have a range of SEND that may be affecting their learning and progress.
  - Expanding supply and take-up of good quality early learning and childcare opportunities for all 3 and 4-year-olds and increasing numbers of 9 months to 3-year-olds from eligible families.
  - Administration of the Funded Early Education Grant and related projects.
  - Learning and development for practitioners from all parts of the sector including single and multi-day courses, projects, and annual conferences.
- 8.3 The central spend budget is based upon the DfE estimates for the take-up of provision and is then fixed for the year. The actual income received in year is dependent upon the number of 9 months to school age children who take up free entitlement places in Brent and are counted in the latest January census.
- 8.4 It is recommended that central retention of EY funding for the existing and new entitlements for 2025/26 is as set out in the table below:

## 8.5 Table 2: Local funding allocation for central expenditure

Entitlements	Retention %	2024/25 (£)	2025/26 (£)	Increase/ (decrease) (£)
15 and 30 hours for 3 and 4-year-olds	4	1,109,600	932,843	(176,757)
15 hours for the additional support 2-year-olds	0.5	24,435	0	(24,435)
15 to 30 hours for 2-year-olds of eligible working parents	2	20,288	101,787	81,499
15 to 30 hours for children aged 9 months to 2 years of eligible working parents	2	14,009	151,157	137,148
<b>Total</b>		<b>1,168,331</b>	<b>1,185,787</b>	<b>17,456</b>

8.6 The above percentages have been set in acknowledgment of both the increase in administration of the expanded entitlements as well as the DfE's plans to increase the pass-through rate to 97% in 2026/27 once the new entitlements have been successfully implemented.

8.7 The proposed central retention equates to £1.186m, compared to a £1.168m equivalent in 2024/25; an increase of £17k from the previous financial year.

8.8 The budget requirement for delivery of the current level of central services and the training offer as set out in paragraph 8.2 above is £1.06m. This provision will ensure continued delivery of support and training which has been acknowledged by the Early Years Funding subgroup as a required service and is valued by providers.

8.9 This leaves a surplus of £0.122m. The expanded entitlements will increase workload for the teams involved due to the increased numbers of children accessing free entitlements from September 2025, both in terms of administration and working with providers and parents to ensure smooth implementation across the dates set by the DfE and high awareness amongst families to enable as many eligible families as possible access their entitlements. It is proposed that this surplus is used to fund additional resources to facilitate this implementation.

## 9 **Specialist Nursery Panel**

9.1 This is a multi-agency panel allocating funds for children with Special Educational Needs and Disability (SEND) or Children in Need (CIN), based on eligibility criteria to assist with their successful inclusion in their setting.

9.2 The HNB allocation of £1.09m contributes to the costs associated with the children with SEND. A disapplication to the single national funding formula regarding funding for additional 15-hour places for some 3 and 4-year-olds based

on local eligibility criteria was allowed by the DfE in January 2017 and applied until the summer term of 2018. This equated to £0.13p from the 3 and 4-year-old funding rate. In January 2018, Schools Forum agreed to release this funding (approximately £0.4m in 2018/19) to this panel for allocation to ensure the most vulnerable children receive some additional support. The proposal is to retain the similar levels of contribution for the 3 and 4-year-old funding which equates to £0.446m for the next financial year. The principle remains that children with the most complex needs will be supported to attend one of the specialist nurseries where appropriate.

9.3 In line with the DfE's expectation that local authorities have SENIFs for all children with SEN eligible for or taking up the new and existing entitlements, it is proposed to include a contribution from the new free entitlements for children of working parents aged 9 months to 3-years-old, at the same rate of £0.13p which equates to £141k.

9.4 For 2025/26, the total value of the EY Inclusion fund from the EY Block is £0.587m.

9.5 Table 3: DSG Specialist Nursery Panel Budget

<b>Proposed income</b>	<b>2024/25</b>	<b>2025/26</b>
<b>Income</b>	<b>£</b>	<b>£</b>
DSG High Needs Block (HNB)	(1,089,160)	(1,089,160)
Early Years Block	(520,650)	(587,336)
Disability Access Fund	(163,800)	(169,778)
<b>Total Income</b>	<b>(1,773,610)</b>	<b>(1,846,264)</b>
<b>Expenditure</b>		
Early Years Inclusion Fund for specialist nurseries	724,988	724,988
Inclusion fund for 3 & 4-year-olds in non-specialist early years provision	294,172	294,172
Staff member for EY Inclusion team	70,000	70,000
CIN for specialist nurseries	288,000	288,000
EY Inclusion fund for 9 months to 3 years-olds in non-specialist early years provision	142,650	204,326
Quality Assurance staff (1.5 post)	90,000	95,000
Disability Access Fund	163,800	169,778
<b>Total Expenditure</b>	<b>1,773,610</b>	<b>1,846,264</b>

**10 Additional funding for MNSs**

10.1 Local authorities with MNS will continue to receive supplementary funding for the 2025/26 financial year. The provisional allocation for Brent is £1.0m compared to £0.886m in 2024/25. This represents an increase of 12.9%.

10.2 In response to the consultation on the early years funding, from 2023/24 the distribution of the MNS supplementary funding has been reformed to ensure that



it is being shared more evenly across all local authorities with MNSs. A minimum and a cap on the hourly funding rate that local authorities can receive for their MNSs has been introduced and all providers must be paid the same hourly base rate. For 2025/26, the government has mainstreamed the funding that MNSs previously received through the teachers' pay and pensions grants, therefore, this grant has now been rolled into each local authority's supplementary funding allocation.

- 10.3 This supplementary funding applies to the council's four MNSs and was previously allocated on an agreed local formula i.e., based on business rates, a lumpsum and estimated hours. The proposal is to continue to distribute this funding to the MNSs based on an hourly rate for 2025/26, in line with the DfE's change in local authority fundings to an hourly rate basis.
- 10.4 The MNS supplementary hourly rate, inclusive of Teachers' Pay Additional Grant has increased from £6.27 to £7.08 per hour: an increase of 13%.

## **11 EY funding based on DfE's provisional allocations**

- 11.1 Table 4 outlines the Early Years' budget based on draft allocations from the DfE and the recommendations from this paper.

11.2 Table 4: Proposed Early Years block budget

Income	2024/25 £' (000)	2025/26 £' (000)
Universal allocation for 3&4-year-olds	17,626	18,372
Additional hours for 3&4-year-olds	4,566	4,949
Allocation for 2-year-olds additional support	4,887	4,113
Allocation for 2-year-olds with working parents	4,058	5,089
Allocation for under 2-year-olds with working parents	2,802	7,558
Supplementary funding for MNSs	915	1,001
Disability Access Fund for 3 to 4-year-olds	128	123
Disability Access Fund for 2-year-olds	25	31
Disability Access Fund for under 2-year-olds	11	16
Early years pupil premium for 3 to 4-year-olds	109	156
Early years pupil premium for 2-year-olds	66	31
Early Years Pupil Premium for under 2 years old	3	3
<b>Total Income</b>	<b>35,196</b>	<b>41,442</b>
Expenditure	2024/25 £' (000)	2025/26 £' (000)
Distribute to providers for 3&4-year-olds universal offer	16,398	17,286
Distribute to providers for 3&4-year-olds children with working parents (additional 15 hours)	4,247	4,657
Central spend	1,168	1,186
Additional panel funding	521	587
Distribute to providers for additional support 2-year-olds	4,863	4,113
Distribute to providers for 2-year-olds children with working parents	3,982	4,920
Distribute to providers for under 2-year-olds	2,760	7,333
Supplementary funding distributed to maintained nursery schools	915	1001
Disability Access Fund for 3 to 4-year-olds	128	123
Disability Access Fund for 2-year-olds	25	31
Disability Access Fund for under 2-year-olds	11	16
Early years pupil premium for 3–4-year-olds	109	156
Early years pupil premium for 2-year-olds	66	31
Early Years Pupil Premium for under 2 years old	3	3
<b>Total Expenditure</b>	<b>35,196</b>	<b>41,442</b>

## 12.0 Stakeholder and ward member consultation and engagement

12.1 On January 7, 2025, a discussion was held with the EY sub-group of the Schools Forum to review the proposed hourly rates, central retention percentages from the EY funding allocation, and the SENIF allocations for the upcoming financial year. These considerations were made in considerations of the DfE's requirements stemming from the expansion of Early Years entitlements. During the meeting, members of the sub-group expressed their agreement with the

proposals to retain 4% of the funding allocation for 3- and 4-year-olds and 2% of the funding allocation for under-twos and 2-year-olds. These retentions are intended to support central services.

- 12.2 The group engaged in a detailed discussion about the 2% quality supplement that was introduced in 2023/24 as a mechanism to distribute the Teachers' Pay Additional Grant across the sector. Members highlighted that, historically, the PVI sector had been encouraged to upskill staff with qualifications such as Early Years Professional Status but had not received additional funding to offset the costs associated with employing more highly qualified staff. In recognition of this, the group agreed on a revised approach to the application of the quality supplement and ultimately decided to recommend allocating the funding through the base rate to all settings instead. The group acknowledged that this proposal presented a valuable opportunity to address the disparity in funding and recognises the high-quality practice demonstrated by individual practitioners across all settings, regardless of their specific qualification levels.
- 12.3 The group also received an update on the ongoing review of the EY SENIF. The update included plans to establish a specialist medical provision for children, introduce a more refined banding system, and maintain a financial contribution of £1m from the High Needs Block of the DSG to support the SENIF. A discussion followed on the increase in the numbers of children with additional needs and the challenges of delivering inclusive provision given financial constraints and system delays, both in diagnosis and processing of paperwork. It was agreed that further updates will be brought to the group as plans are finalised.
- 12.4 It was also agreed that the hourly rate for the 2-year entitlement for families in receipt of additional support would remain higher compared to the 2-year-olds from working families as a financial incentive for providers supporting the most vulnerable 2-year-olds in the borough.
- 12.5 The group was consulted as on the requirement within the Statutory guidance 'Early education and childcare (applies from 1 April 2024) Updated 1 January 2024' for providers to be paid monthly. This had been discussed by the group in January 2024 and members had voted unanimously to retain the existing system. It was discussed that the requirement to offer monthly payments to providers who wished this remains and therefore this is a decision that will need to be reviewed regularly. The group once again voted to retain the existing payment system.
- 12.6 Members of the group expressed appreciation and gratitude for the support that they received from the EY teams and other colleagues in the Council and advised that they feel they receive a much higher level of support than providers in other local authorities.

### **13.0 Financial Considerations**

- 13.1 The financial implications have been detailed in the body of this paper.

### **14.0 Legal Considerations**

14.1 This report has been drafted with due consideration of the Early Years Foundation Stage (EYFS) statutory framework which sets the standards that all early years' providers must meet to ensure that children learn and develop well and are kept healthy and safe.

#### **15.0 Equity, Diversity & Inclusion (EDI) Considerations**

15.1 Not applicable.

#### **16.0 Climate Change and Environmental Considerations**

16.1 Not applicable.

#### **17.0 Human Resources/Property Considerations (if appropriate)**

17.1 Not applicable.

#### **18.0 Communication Considerations**

18.1 All School Forum papers are published, and all schools will have access to them. The final 2025/26 EY budget allocation for each school will be published on Best Brent.

#### **Related documents for reference:**

Prior Financial reports to Schools Forum

**Report sign off:**

***Nigel Chapman***

Corporate Director of Children and Young People