

Early Years Funding 2025/2026

Key Messages

Forum members are asked to:

- a) **Note** the overall early years income allocation of £83.09m to Sheffield for 2025/26.
- b) **Note** the allowance from 1st September 2025 of 30 hours increased from 15 hours for all eligible working parents of pupils under the age of 5 years old.
- c) **Note and approve** the recommendations of the Early Years Working Group to increase the base rates as detailed below and summarised in the recommendations at the end of this paper.

1. Introduction

1.1 The Early Years Block comprises:

- Participation funding for working parents of under 2-year-olds.
- Participation funding for parents receiving additional support (formerly known as the 2-year-old disadvantaged entitlement).
- Participation funding for working parents of 2-year-olds.
- Funding for the 3&4-year-old entitlement, including the additional 15 hours for eligible working parents.
- The Early Years Pupil Premium (EYPP) eligible funding is payable all age ranges.
- Disability Access Funding (DAF) eligible funding is payable for all age ranges.
- Funding for maintained nursery schools (MNS).

1.2 Early years funding from the Education and Skills Funding Agency (ESFA) to the local authority (LA) is based on actual participation based on two January Census headcounts and is revised annually each July after the financial year end to reflect the actual take-up of Funded Early Learning (FEL).

1.3 Indicative figures are provided to LAs each December prior to the new financial year to allow LAs to set FEL budgets. In 2025/26 there will be two additional data collections for the 2-year-olds and under working parents' entitlements, due in the summer and autumn terms. Funding is subject to revision based on the actual Census numbers provided to the ESFA.

1.4 The table below shows the income funding streams in the Early Years Block for the financial years 2025/26 as compared to 2024/25.

Dedicated Schools Grant Funding	2025/26	2024/25	Var	Var
Early Years Block	£000	£000	£000	%
*EY Under 2-Year-Olds - working parents	23,291	6,806	16,485	242%
EY 2-Year-Olds - receiving additional support	5,870	6,248	-378	-6%
EY 2-Year-Olds - working parents	15,644	8,328	7,316	88%
EY 3-4-Year-Olds	35,607	34,360	1,247	4%
EYPP	1,699	1,442	257	18%
Disability Access & MNS	981	880	102	12%
EY Budget Grant	-	419	-419	-100%
Early Years Block	83,093	58,484	24,610	42%

2. Background

The following changes have been made to the Early Years National Funding Formula (EYNFF) for 2025/2026.

- 2.1 The extension from September 2025 of 30 hours for all eligible working parents of children aged from 9 months to under 5 years old.
- 2.2 An increased minimum pass-through requirement for local authorities in 2025/2026 which has increased from 95% to 96%. Sheffield will pass-through 96% funding to early years providers, 4% funding is used to fund statutory and regulatory duties.
- 2.3 Sheffield will pass-through 99% funding for the under 2-year-old entitlement for working parent entitlements, 1% funding will be used to fund statutory and regulatory duties.
- 2.4 Sheffield will pass-through 99% of the 2-year-old funding for both eligible working parents and those receiving additional support (formerly known as the 2-year-old disadvantaged entitlement). 1% funding will be used to fund statutory and regulatory duties.

3. The DSG FEL hourly funding rates paid to Sheffield

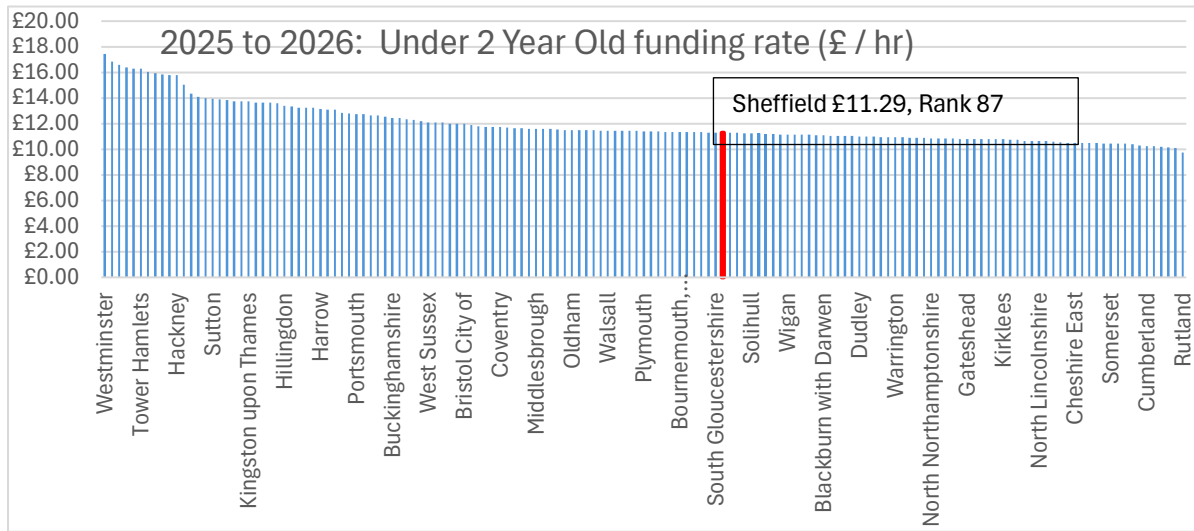
- 3.1 The ESFA has increased the Dedicated Schools Grant (DSG) FEL funding rates to Sheffield as shown below:

DSG Hourly Funding rates paid to Sheffield	2025/26	2024/25	Increase in hourly funding rate	% Variance
Under 2-year-olds - Working Parents	£11.29	£10.85	£0.44	4%
2-year-old - Disadvantaged	£8.26	£7.95	£0.31	4%
2-year-old – Working Parents	£8.26	£7.95	£0.31	4%
3&4-year-olds	£5.80	£5.56	£0.24	4%

3.2 The National Picture in £ per pupil hourly rates.

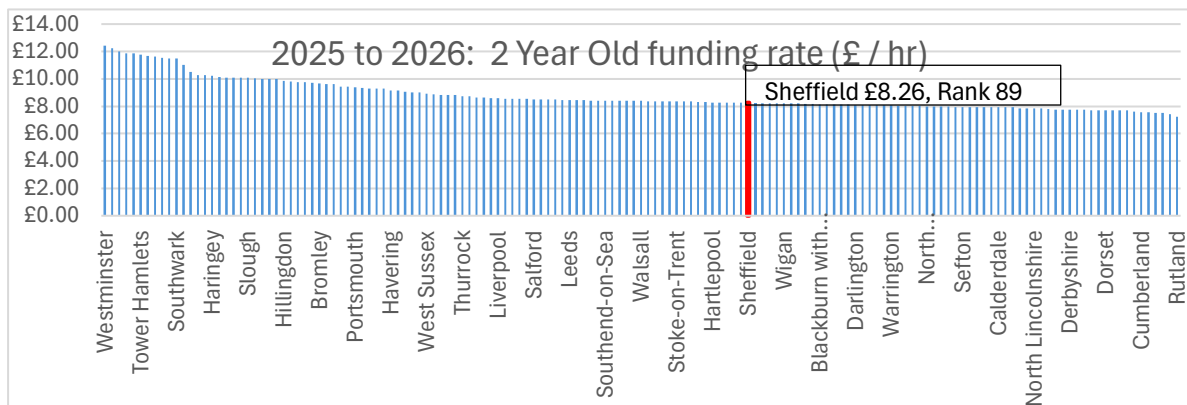
3.3 Under 2s

Sheffield's £ per pupil hourly funding rate is ranked 87th out of 150 local authorities:



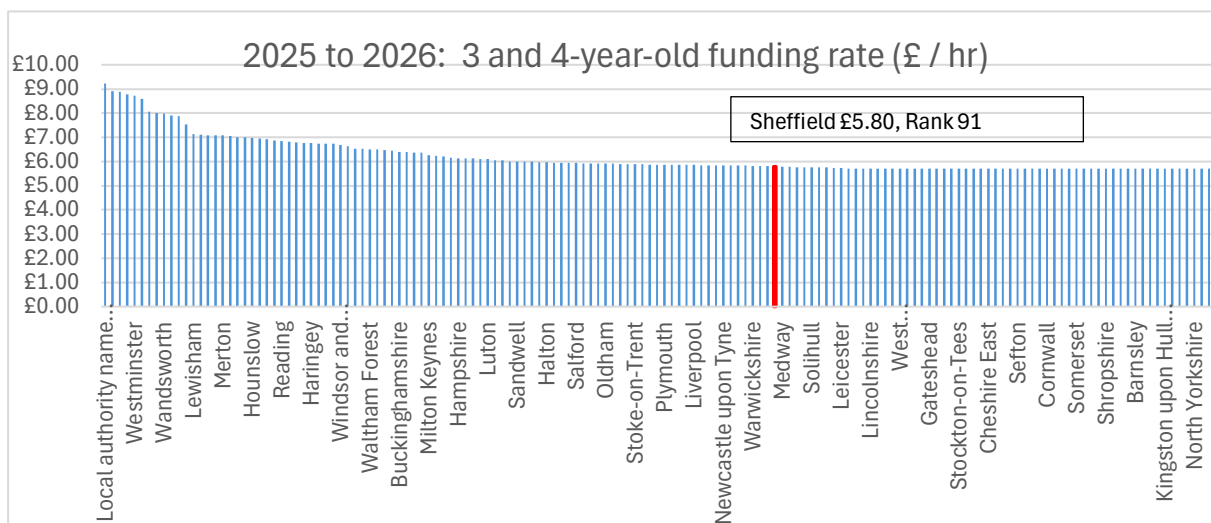
3.4 2-Year-Olds

Sheffield's £ per pupil hourly funding rate is ranked 89th out of 150 local:



3.5 3- & 4-Year Olds

Sheffield's £ per pupil hourly funding rate is ranked 91st out of 150 local:



4. Teachers' Pay

4.1 Additional funding to reflect increases to teachers' pay from September 2024 has been rolled into 3- and 4-year-old and MNS supplementary funding rates, following the established method used in previous years.

5. The FEL hourly rates for 2025/26

5.1 The following table shows the recommended hourly base rates payable to the Early Years sector for 2025/26:

Hourly Funding Rates payable to Sheffield providers	2025-26			2024-25			Base Rate	
	Base Rate	Deprivation Rate £	Maximum Hourly Rate £	Base Rate	Deprivation Rate £	Maximum Hourly Rate £	Var	% Var
Under 2-year-olds – Working Parents	£ 10.73	£0.44	£11.17	£10.31	£0.44	£10.75	£0.42	4%
2-year-old FEL - parents receiving additional support	£ 7.88	£0.44	£8.32	£7.58	£0.44	£8.02	£0.30	4%
2-year-old – Working Parents	£ 7.88	£0.44	£8.32	£7.58	£0.44	£8.02	£0.30	4%
3 & 4-year-old FEL	£ 5.32	£0.44	£5.76	£5.06	£0.44	£5.50	£0.26	5%

5.2 Maintained Nursery School (MNS)

In addition to the FEL funding, Sheffield expects to receive £453k for the two stand-alone maintained nursery schools (Broomhall and Grace Owen). This funding is intended to enable local authorities to continue their current maintained nursery schools' funding levels.

5.3 Early Years Pupil Premium (EYPP) Funding

The EYPP funding rate is set nationally at £1.00 per pupil hour with an increase of 32p (47%) for 2025/26, providing an annual amount of £570.00 which has increased from £387.60 in 2024/25. EYPP is payable across all age ranges.

5.4 Disability Access Funding (DAF)

Any child in receipt of the Child Disability Living Allowance can attract an additional £932.00 per annum, the funding rate is set nationally and has increased by £22 (2.4%) per eligible pupil from £910.00 for 2024/25. DAF is payable across all age ranges.

6. Recommendations

Forum members are asked to:

- a) **Note** the overall early years income allocation of £83.09m to Sheffield for 2025/26.
- b) **Note** the allowance from 1st September 2025 of 30 hours increased from 15 hours for all eligible working parents of pupils under the age of 5 years old.
- c) **Note** and **Approve** recommendations of the Early Years Working Group to increase the base rates as follows:
 - Pay eligible **under 2-year-olds** of working parents **£10.73** per hour.
 - To increase the funding for 2-year-olds for both eligible working parents and those receiving additional support (formerly known as the **2-year-old** disadvantaged entitlement) to **£7.88** per hour.
 - Increase the hourly base rate funding for **3&4-year-olds** to **£5.32**.
 - Deprivation funding will stay unchanged at the rate of £0.44 for all eligible pupils and is funded across all age ranges.