

**Subject:** Dedicated Schools Grant – Early Years, including funding formula 2025/26

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## 1. Setting a funding formula: the context

- 1.1. In Spring 2023 the government announced a significant extension to early years education and childcare entitlements, with a phased roll out across 2 financial years. Full implementation is September 2025 when the final phase of the expansion of hours from 15 hours a week to 30 hours a week commences for eligible children from 9 months. [Early education and childcare \(applies from 1 April 2024\) - GOV.UK \(www.gov.uk\)](#)
- 1.2. The 2025/26 Early Years Dedicated Schools Grant (EYDSG) initial allocations are prepared based on estimated demand as well as considers the mid-year increase in hours. ([2025 to 2026 early years national funding formulae: technical note - GOV.UK](#)).
- 1.3. The Department for Education (DfE) has implemented a few changes to the [guidance](#) that Local Authorities must fulfil when preparing their 2025/25 local funding formulas.
  - 1.3.1. an increased minimum pass-through requirement for local authorities in 2025/26 – **the pass-through rate will increase from 95% to 96%**.
  - 1.3.2. an expectation that local authorities will announce their funding rates to childcare providers by **28 February 2025**. The DfE intend to mandate this as a requirement in the regulations from the financial year 2026/27.
  - 1.3.3. changes to the special educational needs inclusion fund (SENIF) (section 6) and disability access fund (DAF) (section 8) sections of the guidance following a review of the department's early years SEND funding arrangements, including an expanded section on expectations around SENIF arrangements, and greater detail on how DAF should be allocated and distributed.
- 1.4. Local authorities must determine their funding formulae before the beginning of the financial year. Where a local authority proposes to make changes to the funding formulae it used during the previous financial year that will affect early years providers, it must first consult its Schools' Forum, maintained schools and academies, and early years providers.
- 1.5. The final decision on the funding formulae, following any consultation, rests with the local authority. Local authorities are not permitted to amend their funding formulae after the financial year has started.
- 1.6. Local authorities should ensure their early years providers are sufficiently represented at Schools' Forum meetings to enable approvals on specific changes to the formula. Each forum should have at least one representative of the private, voluntary, and independent (PVI) sector among its non-school members.

- 1.7. Whether or not their local formulae have changed, local authorities must deduct any central expenditure by 28 February 2025, and as per the current regulations, must calculate and notify initial budgets to providers no later than 31 March 2025. Where necessary, initial budgets should use an estimate of the number of hours for the financial year.
- 1.8. Regulations require local authorities to review and redetermine provider budgets during the year when further information about actual hours of attendance becomes available.
- 1.9. As there are two separate 2-year-old entitlements, Section 5.1 of the [guidance](#) states that supporting children from families receiving additional support is a priority. For this reason, the DfE require local authorities, through regulations, to ensure that the final hourly funding rate (that is the base rate, plus supplements if applicable) they pay to providers for the entitlement for families of 2-year-olds receiving additional support is at least equal to the final hourly funding rate for the 2-year-old working parent entitlement at individual provider level.
- 1.10. Section 5.3 states that if local authorities choose to have separate funding formulae for each entitlement, the base rate for the entitlement for families of 2-year-olds receiving additional support formula for all providers must be at least equal to and not be less than the base rate for the 2-year-old eligible working parent formula. Local authorities are permitted to set a higher base rate in their formula for the entitlement for families of 2-year-olds receiving additional support formula if they wish.
- 1.11. All local authorities must pay a universal hourly base rate across each of their local early years funding formulae
- 1.12. Funding supplements are amounts of funding paid to providers in addition to the hourly base rate to reflect local needs or policy objectives. Supplements should be transparent and fair and should be open to all providers that meet the eligibility criteria.
- 1.13. Funding supplements permissible for each entitlement are shown below;

Table 1

<b>Supplement</b>	<b>Under 2's</b>	<b>2 Year Olds</b>	<b>3&amp;4 Year Olds</b>
Deprivation	Optional	Optional	<b>Mandatory</b>
Quality	Optional	Optional	Optional
English as Additional Language	Optional	Optional	Optional
Sparsity	Optional	Optional	Optional

[Early years entitlements: local authority funding operational guide 2025 to 2026 - GOV.UK](#)

## 2. RECOMMENDATIONS

### That Schools' Forum:

- A. Note the London Borough of Merton's Early Years block allocation of the DSG 2025/26 (as shown in Table 3)

- B. Note the expected in year additional reporting and the adjustments to the early years block of the DSG. (Due to incremental roll out from partial entitlement summer term 2025 and full entitlement from autumn term 2025)
- C. Note the underlying principles that support the rationale and proposal for Merton’s consultation for the local funding formula across the age-related entitlements.
- D. Approve the early years central retention budget of 4% so the LA can deliver its core statutory functions and support quality and inclusion across EY settings.
- E. Comment on and agree the consultation content and timescales for the early years funding formula process for 25/26, including distribution.
- F. Note for information and illustrative purposes only the DRAFT indicative budget calculated on the proposed funding formula – subject to consultation outcome
- G. Agree the methodology for the value/budget setting for 25/26 Special educational needs inclusion fund (SENIF).
- H. Note the ongoing consultation on the new local SENIF across the age-related entitlements.
- I. Note the consultation timescale with regards to the expected distribution of indicative budgets

### 3. Early Years Block

- 3.1. There is a significant increase (circa. £8m) to the Early Years Block of the DSG in 25/26 due to the increased investment and expansion of the funded early education entitlements as well as an uplift across all age related entitlements contained within the formula and a significant increase in the hourly rate for children eligible for Early Years Pupil Premium (EYPP) and an uplift in the lump sum payment for Disability Access Fund (DAF).
- 3.2. A comparison of the increase in year-on-year funding hourly rates and the national picture is provided below.

Table 2

EY DSG allocation	National increase	Merton increase
Under 2's Entitlement	3.4 %	3.8%
2-Year-old Entitlement	3.3%	3.9%
3& 4-Year-old Entitlement	4.1%	4%
EYPP	45%	45%
DAF	3%	3%

- 3.3. EYPP and DAF allocations must be 100% passed through to providers at the DfE fixed rate to eligible children
- 3.4. Merton’s **indicative** [Dedicated schools grant \(DSG\) 2025 to 2026](#) Early Years Block allocations is Circa £31m.
- 3.5. The table below shows each funding stream within Merton’s EY DSG allocations – before any local funding formula is applied.

Table 3

Funding stream	25/26 allocation	Part-Time Equivalent (PTE) (Est)	Hourly rate	Hourly rate variance from 24/25
Under 2's entitlement funding	£8,413,446	1055.07	£13.99	+ £0.51
2-Year-olds entitlement funding – Families Receiving additional government support	£1,473,129	251.16	£10.29	+£0.39
2-Year-olds working entitlement funding	£5,681,306	968.63	£10.29	+£0.39
3& 4-Year-olds universal entitlement	£11,649,446	2886.67	£7.08	+£0.27
3&4-year-old extended entitlement	£3,904,565	967.53	£7.08	+£0.27
Disability Access Fund (DAF) Under 2-year-olds	£5,628	6	*£938	+£28
Disability Access Fund (DAF) 2-year-olds	£15,008	16	*£938	+£28
Disability Access Fund (DAF) 3&4-year-olds	£78,792	84	*£938	+£28
Early years pupil premium (EYPP) Under 2's	£1,887	3.31	£1.00	+£0.32
Early years pupil premium (EYPP) 2-Year-olds	£20,976	36.8	£1.00	+£0.32
Early years pupil premium (EYPP) 3&4-year-olds	£148,770	261	£1.00	+£0.32
<b>Total</b>	<b>£31,392,953</b>			

\*annual lump sum

**RECOMENDATION A: Note the London Borough of Merton's Early Years block allocation of the DSG 2025/26**

3.6. [2025 to 2026 early years national funding formulae: technical note - GOV.UK](#) describes in detail the formula for preparing the allocations, excerpts below;

3.7. The Indicative allocations for 25/26 are calculated using the estimated Part Time Equivalent (PTE) places, a PTE is the equivalent of 15 hours a week over 38 weeks of the year. PTE's are used for all entitlement, including where an entitlement starts or increases part way through the financial year, or where the entitlement exceeds 15 hours per week. This ensures a consistent approach to accounting for take up across the entitlements.

- PTE \* 570 hours \* £ per hour

3.8. For the 3 and 4-year-old entitlements, PTEs from the January 2024 Census Multiplied by the hourly rate.

3.9. The expansion to 30 hours of the 2-year-old and under 2s working parent entitlement from September 2025, eligible children will be funded for 15 hours

per week for the first 13 weeks of the year (April to August) and 30 hours per week for the remaining 25 weeks of the year (September to March). To calculate what this equates to in terms of PTEs, DfE take the total number of hours delivered across the full financial year, divide by 15 (hours per week) and then divide by 38 (weeks per year). A child aged 2 or undertaking up the working parent entitlement in full in 2025 to 2026 would therefore count as 1.66 PTEs.

- 3.10. For each of the age groups, only the PTEs relating to the first 15 hours of each entitlement are used to calculate the funding rates
- 3.11. For the 3&4 year old entitlement and the 2 year old entitlement for families receiving additional government support, the Education School Funding Agency (ESFA) will adjust the 2025/2026 allocation in July 2025, based on five-twelfths of the January 2024 census numbers (to cover the April 2025 to August 20245 period), and seven-twelfths of the January 2025 census numbers (to cover the September 2025 to March 2026 period).
- 3.12. As per 2024/25, the ESFA will adjust the LA's allocations for the new expanded entitlements only in year to ensure LAs receive more accurate funding during the expansion period, the council is expected to submit termly headcount data, that will be used to adjust the allocation for the new entitlements.
- 3.13. The indicative allocation for DAF is calculated on the estimated number of Disability Living Allowance (DLA) claimants of children under 5's. This allocation will not change and is final for 2025/26.
- 3.14. The indicative budget for EYPP is calculated as follows:
  - the number of EYPP places as recorded on the January 2024 schools, early years and AP censuses.
  - multiplied by 15 hours × 38 weeks × £1.00
- 3.15. The ESFA will update these initial allocations alongside the entitlement allocations in:
  - July 2025 based on January 2025 census number; and
  - July 2026, based on five-twelfths of the January 2025 census numbers (to cover the April 2025 to August 2025 period), and seven-twelfths of the January 2026 census numbers (to cover the September 2025 to March 2026 period).
- 3.16. Final 2025/26 budgets are not confirmed until July 2026, therefore the 2025/26 allocation may vary based on census data.

**RECOMMENDATION B:** *Note the expected in year additional reporting and the adjustments to the early years block of the DSG. (Due to incremental roll out from partial entitlement summer term 2025 and full entitlement from autumn term 2025*

#### 4. Merton's Funding Formula Principles

4.1. To maximise the amount of funding all providers receive for all children through the base rate and to reduce bureaucracy, the local authority proposes to apply the following established and embedded **principles to the proposed 25/26 local funding formulas for each age-related funding stream.**

4.2. Elements within the formula:

- To pass through the required minimum of 96% of each of the age-related early education and childcare entitlement funding streams: (i) Expanded entitlements from 9-month to 2 years; (ii) existing and expanded entitlement for 2-year-olds and (iii) universal and extended 3&4year olds, to early years providers and schools.
- To pass through the required minimum of 96% of each of the age-related early education and childcare entitlement funding streams: (i) Expanded entitlements from 9-month to 2 years; (ii) existing and expanded entitlement for 2-year-olds and (iii) universal and extended 3&4year olds, to early years providers and schools.
- To limit the number of supplements used in LBM's funding formula to ensure the base rate is maximised, to support high quality ordinarily available provision.
- To remove the Deprivation supplement in the Under 2- and 2-year-old entitlement funding formulas, to maximise the base rate and support providers with their financial planning.
- To establish two separate base rates for the 2-year-old entitlements, so that the base rate for children eligible via the additional government support entitlement will receive a higher base rate than those eligible for the working parent entitlement. This will ensure that funding is available and targeted for children living in deprivation and supports the LAs aspiration to increase the number of children who meet their early years outcomes, through early identification of need and setting-based interventions that support children's learning outcomes. We also want to incentivise the market to take standalone 15-hour places for this cohort of children
- To retain (as required) the deprivation supplement in the 3& 4-year-old funding formula to be allocated for children eligible for EYPP.
- To retain the quality supplement and eligibility for the supplement in the 3&4-year-old funding formula to distribute the teachers' pay notional funding that is rolled into the allocation for 3 & 4-year-old funding.

4.3. To meet the statutory duties, support the sector and families, and promote early childhood development and school readiness, the local authority proposes the following for elements outside of the formula (**non-formula elements**) but are counted within the 96% passthrough:

- To create a SENIF for each age range to be administered via an application process that supports our overarching approach to SEND and ordinarily available provision in the Early Years Foundation Stage (EYFS).
- To create minimal contingency funds for each of the entitlements from for each age-related allocation to manage the fluctuation in participation

throughout the year and demand for SENIF. Any underspend will be distributed fairly based on participation levels at the end of the year where appropriate.

- 4.4. To meet the statutory duties, support the sector and families, and promote early childhood development and school readiness, the local authority proposes to retain 4% of each of the entitlement funding streams for statutory administration, management and support services that work directly with settings to improve outcomes for children and narrow the gap for vulnerable children, known as the centrally retained element.

**Recommendation C:** Note the underlying principles that support the rationale and proposal for Merton’s consultation for the local funding formula across the age-related entitlements.

## 5. Centrally retained element

- 5.1. A limit for centrally retained items of a maximum 4% has been set by the DfE. The items below will continue to be funded via the retained element, based on the anticipated percentage of the total budget to:

- fund continuous improvement with a focus on settings requiring improvement.
- training and workforce development.
- inclusion and early intervention work with settings supporting children with SEND and/or other additional needs.
- management, coordination and reporting of the Council’s statutory duties with regards to childcare and sufficiency.
- administration including communication and promotion activities.
- provider and resident engagement; and
- IT system development and maintenance.

## 6. Schools’ Forum approval is required for the overall centrally retained items of the Early Years Block.

- 6.1. The total centrally retained budget in 2025/26 is estimated as £1.2m devised from the 3 age-related entitlement allocations below and an increase of £49K compared with 24/25 despite the decrease in the percentage that can be retained.

Table 4

<b>Under 2</b>	<b>2-year-olds</b>	<b>3&amp;4-year-olds</b>	<b>Total</b>
£336,538	£286,177	£662,160	£1,244,876

- 6.2. It is expected that the centrally retained element will reduce to 3% once the childcare reforms are fully embedded. No timescale has been confirmed; however, it could be as early as 2026/27. It is assumed that the take up of the entitlement and the increase of the hours will mitigate the decreased

percentage point. However, the LA will need to consider the impact of this this change.

- 6.3. [Appendix A](#) provides a high-level summary of the expected expenditure of the central retention budget in 2025/26

**RECOMMENDATION D:** *Approve the early years central retention budget of 4% so the LA can deliver its core statutory functions and support quality and inclusion across EY settings.*

## 7. Early Years Funding formula proposal and EYDSG Distribution 25/26

### 7.1. A summary of the LA requirements for preparing a local funding formula:

- LA's can retain a maximum of 4% of each of the 3 age-related allocations for central services to deliver statutory functions.
- LA must pass through a minimum of 96% of each of the place funding allocations to early years providers and schools via a local funding formula.
- The local funding formula can include eligible supplements up to a maximum of 12% of the pass-through rate (96%)
- Deprivation supplement is **mandatory** for the 3&4-year-old funding formula **only**. All other supplements are optional.
- The base rate for the 2 years old entitlement for families receiving additional government support must be at least equal to, or higher than to the base rate for the entitlement for working parents. LA's have the flexibility to structure the funding formula for the 2-year-old entitlements to consider the above.
- LA's are expected to fund providers using the same funding formula for both 3&4 year old entitlement.
- LA's can use the same formula structure to set the under 2s funding formula as the 2-year-old working parent or set a separate formula. However, a higher rate must be reflected for the younger children.
- LA's **must** make available Inclusion Funding to support the needs of children with SEND accessing any of the early education and childcare entitlements from the age of 9 months to 5 years.
  - The Inclusion Fund is calculated as part of the 96% pass through rate to providers.
  - LA's can also calculate a contingency fund for the 96% pass through to providers.

## 8. Merton's local Early Years Funding Formula Consultation – Entitlement allocations

- 8.1. Merton's proposed Early Years funding formula 2025/26 details and rationale can be found in the [full consultation document](#).
- 8.2. Schools and providers are asked to provide their feedback to the consultation via this [Consultation feedback form](#) by **Thursday 6 February 2025**
- 8.3. **Main changes to the LA proposed 2025/26 funding formula**



- To **remove** the recent deprivation supplement from the funding formula for under 2's (This was only in place since April 2024 and new guidance allows this to be non-mandatory)
  - To **remove** the recent deprivation supplement from the funding formula for 2-year-olds (This was only in place since April 2024 and new guidance allows this to be non-mandatory)
  - To **implement** a differentiated base rate in the funding formula for 2-year-olds dependent on the type of scheme they are taking up
  - **No change** to the 3 & 4-year-old funding formula
- 8.4. The table below illustrates the proposed percentage of each funding element that is calculated as part of the 96% pass through funding

Table 5

Funding formula	Under 2	2-year-olds	3&4-year-olds
Hourly base rate	99%	99%	92%
Deprivation Supplement showing the percentage of passthrough	N/A	N/A	2.9%
Quality supplement (TPPG) percentage pass through	N/A	N/A	2.6%

- 8.5. For illustrative purposes **ONLY (subject to consultation)**, the table below illustrates the proposed funding formula and funding rates.

Table 6

	Base rate /hr	Deprivation Supplement	Quality Supplement
Under 2's	£13.39	N/A	N/A
2Year old - Receiving additional government support	£11.32	N/A	N/A
2-Year-Old – working parents	£9.41	N/A	N/A
3 & 4year olds	£6.23	£2.90	£0.32

- 8.6. The table below shows the proposed 25/26 funding rates compared with 2024/25

Table 7

	Base rate hourly rate increase	Base rate percentage	Base rate+ Deprivation percentage
Under 2's	+£ 0.89	+7%	- 3%
2-Year-old - Receiving additional government support	+£ 2.32	+26%	+ 6%
2-Year-Old – Working parents	+£0.41	+5%	- 12%

<b>3- &amp; 4-year-olds</b>	+£0.36	+6%	+4%
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- 8.7. To note EYPP is an additional allocation separate to the formula elements.
- 8.8. The hourly base rate increases all children will support settings to meet the needs of children earlier through effective financial planning, and flexibility to use resources earlier. This will mitigate any potential loss from the decrease in deprivation supplement for a very few numbers of children in the working household entitlement category that would be eligible.
- 8.9. The majority of children eligible for EYPP are those eligible for the 15 hour, 2-year-old entitlement for families receiving additional government support and the universal 15-hour entitlement for 3& 4-year-olds. The increase in EYPP funding demonstrates Labours plan for change commitment to *ensuring every child receives high quality education with particular focus on disadvantaged children*. Therefore, all settings/schools should consider how they allocate EYPP funding to support this cohort of children

## **9. Early Education and Childcare Entitlement Place funding distribution**

- 9.1. By the 28 February 2025, the LA will confirm the funding rates to providers.
- 9.2. By the end of March at the latest (as required) schools and PVI settings will receive an indicative budget - an indication of their annual income based on the previous year's headcounts/claims i.e. May 2024, October 2024, and January 2025 where applicable.
- 9.3. PVI settings will be asked to confirm their anticipated/realistic numbers ahead of each funding period for all entitlement (new and existing) to reflect any changes more accurately to be reflected the level of funding that is paid up front to providers.
- 9.4. During financial year 2025/26, as per usual schools and settings actual funding allocations and budgets will be adjusted based on their actual headcount/census in each funding period during the financial year.
- 9.5. Draft indicative budgets for 2025/26 (Appendix B) have been prepared for illustrative purposes based on the proposed funding formula set out in the consultation.
- 9.6. To note, due to system limitations Indicative budgets and estimate payments for 2-year-olds will be prepared on the 2-year-old working parent entitlement hourly base rate. However, Providers will receive the differentiated base rate as 'weighting' to their termly actual / headcount payments.
- 9.7. Following the outcome of the consultation, reviewed final indicative budgets will be circulated with the confirmed funding rates for 25/26 during the week commencing

**RECOMMENDATION E:** *Comment and agree the consultation content for the early years funding formula process for 2025/26, including distribution.*

**RECOMMENDATION F:** Note for information and illustrative purposes only the DRAFT indicative budget calculated on the proposed funding formula – subject to consultation outcome

## **10. Non-formula elements included in the passthrough 96% rate calculation**

### **Contingency**

- 10.1. the contingency is contained within the 96% pass through rate, the table below illustrates the percentage within the 96% that the Contingency Budget is derived from

Table 8

<b>Under 2's entitlement</b>	<b>2-year-old entitlement</b>	<b>3&amp; 4-year-old entitlement</b>
£16,154	£13,737	£29,864
0.2%	0.2%	0.2%

### **Special Educational Need Inclusion Fund (SENIF)**

- 10.2. **The SENIF is contained within the 96% pass through of each age-related entitlement funding**

- 10.3. Excerpts from DfE: [Early years entitlements: local authority funding operational guide 2025 to 2026 - GOV.UK](#) states the following under the headings below.

*All local authorities are required to have a SENIF for all children eligible for the entitlements and who have SEN, regardless of the number of hours taken. These funds are intended to support local authorities to work with providers to recognise and support the low-level and emerging needs of individual children with SEN who are taking up the entitlements. These funds also support local authorities to undertake their responsibilities to strategically commission SEN services as required under the Children and Families Act 2014.*

*Children not eligible for the entitlements or with more complex needs and with an education, health and care (EHC) plan continue to be eligible to receive funding via the high needs block of the DSG.*

#### **Value**

*The value of the fund should consider the number of children with SEN in the local area, their level of need, and the overall capacity of the local childcare market to support these children. Local authorities should consult with early years providers to set the value of their local SENIF.*

To support LA's the DfE has shared a Section 251 [early years funding benchmarking tool](#) on LA SENIF expenditure.

#### **Sources of funding**

*Local authorities should establish their SENIFs using funding from the early years block and/or the high needs block of their DSG allocation.*

*Although local arrangements will vary, local authorities should consider the right balance to strike in drawing from these 2 blocks of funding, taking into account the particular pressures on high needs and early years budgets locally and the 96% pass-through requirement.*

### **Allocation of funding**

*As part of the preparation and review of their SEND local offer of services and provision (a statutory requirement under the Children and Families Act 2014), local authorities must consult with various bodies including early years providers, parents and SEN specialists on the services and provision available to support children and young people with SEN and disabilities, and their families. As part of this, local authorities should publish details on how their SENIF will be used to support their early years SEN cohort. These details should include how providers can access funding, the eligibility criteria for the fund, the planned value of the fund at the start of the financial year, and the process for allocating the fund to providers. Local authorities should ensure that their local offer is accessible for all providers and families of eligible children.*

*Local authorities should pass the majority of their SENIF to providers in the form of top-up grants determined on a case-by-case basis. Local authorities can also support specialist SEN services in their local area. Funding used for these local authority-wide support services will not count towards the 96% pass-through; they will be counted within the 4% centrally retained funding.*

### **Compliance**

*Local authorities must record the planned value of their SENIFs in their early years proforma of the s251 budget returns*

## **11. Merton's Proposed 25/26 SENIF**

- 11.1. The proposed value of the mandatory SENIF is based on the following methodology:
- 11.2. The actual SENIF spend in the previous 3 terms/ funding periods (spring 2024, summer 2024 & Autumn 2024)
- 11.3. An estimated participation of eligible children for expanded entitlement:
  - Under 2s
    - 2- 3s expanded
- 11.4. The table below illustrates the proposed SENIF values and percentage of the budget derived from the 95% passthrough of each age-related entitlement.

Table 9

<b>Under 2's entitlement</b>	<b>2-year-old entitlement</b>	<b>3&amp;4-year-old entitlement</b>
£10,000	£38,495	£398,601

0.1%	0.6%	2.7%
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- 11.5. The Council is currently consulting with providers on the eligibility criteria and distribution of the SENDIF to establish a process for implementation in 2025/26 that supports alignment of funding allocations with the wider SEND system and is reflective of the needs of the sector.

**RECOMMENDATION G:** Agree the methodology for the value/budget setting for 25/26 Special educational needs inclusion fund (SENIF).

**RECOMMENDATION H:** Note the ongoing consultation on the new local SENIF across the age-related entitlements.

## 12. Early Years Pupil Premium (EYPP)

- 12.1. EYPP is a separate funding stream within the Early Years block of the DSG that does not form part of the local funding formula and is distributed separately via a DfE fixed hourly rate for eligible children/pupils.
- 12.2. Merton's indicative total EYPP budget is **£171,633 for all age groups**, based on the latest census data and DfE estimates (for the new entitlements) of the number of eligible children from 9 months to 4 years accessing the early education entitlement in 2025/26.
- 12.3. EYPP is only allocated to a maximum of 15 hours a week and must be paid to providers at the DfE the fixed rate of £1.00 per hour for all age groups. This is an increase of £0.32 (45% increase) compared with 2024/25.
- 12.4. The majority of children eligible for EYPP are those eligible for the 15 hour, 2-year-old entitlement for families receiving additional government support and the universal 15-hour entitlement for 3& 4-year-olds. The increase in EYPP funding demonstrates Labours plan for change commitment to *ensuring every child receives high quality education with particular focus on disadvantaged children*. Therefore, all settings/schools should consider how they allocate EYPP funding to support this cohort of children.
- 12.5. Schools and PVI Early Years providers receive EYPP funding in their payment at the end of each funding period based on a child's eligibility at the funding period/termly headcount.
- 12.6. Any underspend on EYPP allocation is expected to be clawed back by the DfE at final budget adjustment in July 2026.

## 13. Disability Access Fund (DAF)

- 13.1. DAF is another funding stream within the Early Years Block of the DSG that does not form part of the funding formula and is distributed separately via a DfE fixed rate.

- 13.2. The DAF allocation is calculated on the estimated number of eligible children (receiving Disability Living Allowance) aged from 9 months taking up their early education entitlement.
- 13.3. Merton's total DAF allocation is **£99,428**, to be paid to providers via a fixed annual lump sum for all age groups of £938 this is an increase of £28 (3% increase) compared with 2024/25.
- 13.4. The DAF funding stream is not adjusted based on participation; therefore, it is likely that there will be an underspend on this allocation, LA's are expected to spend these, in line with the principles and aims of the fund. LAs are encouraged to consider how underspends could be used to support providers to meet the needs of children with SEND. For example,
- 13.5. for training for providers or as a bridging fund to be used for children while they are waiting for their DLA application to be completed and assessed.

#### 14. Funding formula consultation timetable

<b>16 January 2025</b>	Head Teachers Meeting
<b>16 January 2025</b>	Schools Forum meeting
<b>16 January – 06 February 2025</b>	Consultation Window
<b>23 January 2025</b>	PVI Managers Meeting
<b>28 February 2025</b>	LA publishes consultation response and local funding rates.
<b>12 March 2025</b>	Schools Forum meeting

**Recommendation 1;** *Note the consultation timescale with regards to the expected distribution of indicative budgets*

#### 15. Background papers

- Appendix A Early Years Funding Formula Central Retention (SF 160125)
- Appendix B Indicative Budgets (draft) (i) PVI (ii) CM (iii) Schools
- Merton's Early Years Funding Formula Consultation 2025-26
- Appendix A; Merton's Early Years Funding Formula Consultation 2025-26
- [Merton Early Years funding formula Consultation 25/26 Response Form](#) (online)
- [Early years funding: 2025 to 2026 - GOV.UK](#)
- [Early years entitlements: local authority funding operational guide 2025 to 2026 - GOV.UK](#)
- [2025 to 2026 early years national funding formulae: technical note - GOV.UK](#)
- [Dedicated schools grant \(DSG\) 2025 to 2026](#)