

Merton's Early Years Funded Early Education Funding Formula 2025 - 2026

Consultation Document
Closing date 06 February 2025

16 January 2025

Early Years Team

1. Introduction and Background

Before the Merton early years funding formula for financial year 2025/26 is agreed, the London Borough of Merton wants to hear your views on the proposals set out in this document.

You will need to read this consultation to enable you to answer the questions in the consultation feedback form. Please complete the online feedback form by 06 February 2025.

We appreciate this a lengthy and technical document, if you have any questions please contact laura.byernes@merton.gov.uk , copying in ey.funding@merton.gov.uk

Thank you in advance for taking the time to read this document and providing your valuable feedback.

Key documents

Appendix A – Funding Formula 25/26 Additional information

[Funded Early Education Funding Formula Feedback form](#)

[Merton's funded early entitlement guidance 2024/25](#)

[Merton Schools Forum January 2024 meeting minutes](#)

Early Years Block Dedicated Schools Grant (EYDSG)

The Early Years Block of the Dedicated Schools Grant (EYDSG) is the funding allocated by the DfE to local authorities (LAs). The early years block of the DSG **currently** consists of 5 funding streams that is distributed by the LA to Early Years Providers: Schools, Day Nurseries, Preschools, Childminders and Independent Schools (PVI) delivering the funded early education entitlements:

- Under 2's entitlement funding stream
- 2-year-old entitlement funding stream
- 3 & 4-Year-old entitlement funding stream
- Early Years Pupil Premium (EYPP)
- Disability Access Fund (DAF)

The requirements for distributing each of the funding streams is based on participation rates and/or child eligibility.

LAs are required to pass through a minimum of 96% of the three age –related entitlement funding streams to early years providers via a local funding formula. This is a 1% increase compared to the previous year, increasing the overall amount of funding reaching all early years providers.

The EYPP and DAF funding streams are based on central Government calculations and are child (participation) led for all age groups. These funding streams are reported separately from the entitlement funding and are distributed in full to providers at a fixed Government set rate.

Any underspend on the EYPP funding stream is subject to claw back arrangements, and surplus DAF funding is used to support the sector in meeting the needs of children with SEND.

Each LA sets their own local Early Years Funding Formula, in accordance with statutory requirements set down by Government [Early years funding: 2025 to 2026 - GOV.UK](#)

Further details on the current funding formula for financial year 2023 – 2024 can be found in section 2 below as well as [Merton's Schools Forum January 2024 meeting minutes](#)

The Government's [childcare reforms](#) commenced in 2024 with a full roll out and implementation from September 2025. The mid financial year roll out of the childcare reforms increases Merton's EY DSG allocations in 2025/26. Furthermore, in year adjustments will be made based on actual termly participation of the expanded entitlements.

A summary of the 2025/26 requirements for local authorities on distributing the 25/26 EYDSG are as follows.

A minimum 96% pass through rate applies for **each** of the age-related entitlement funding streams, which are;

- 9 month – 2-year-old offer - under 2s working parent entitlement
- 2-year-olds - children in receipt of Additional Government Support (existing) or the working parent entitlements (expanded)
- 3 & 4-year-olds - universal and extended entitlements

Calculated as part of the 96% passthrough are the following formula and non-formula elements.

- Single base rate (formula element)
- Funding supplements (formula element)
- Special Educational Need Inclusion Fund (SENIF) (non-formula element)
- Contingency fund (non-formula element)

Supplements can equate to up to maximum of 12% of the 96% pass through rate. Permissible supplements that LAs can use in their local funding formula are;

- Deprivation (Mandatory for 3&4-year-olds only/optional for all other age ranges)
- Flexibility (optional)
- Sparsity(optional)
- Quality (optional)
- English as an Additional Language (optional)

The LA can centrally retain 4% of each of the age-related funding streams, to deliver its statutory duties and support best early years practice locally.

Local authorities must consult with their Schools Forum and early years providers regarding any changes to their local funding formula for distributing the age-related funding streams.

Sections 3 & 4 below, set out the councils proposed funding formula and details on arrangements for distributing the EYDSG in 2025 /2026 for consultation.

Further DSG allocation allocated to the LA, that are not subject to a funding formula or consultation are;

- DAF - to be available as a lump sum to eligible children from 9 months (outside the formula and scope of this consultation).
- EYPP – to be allocated for all eligible children from 9 months (outside of the formula and scope of this consultation).

2. Current Distribution of EYDSG - Merton Early Years Funding Formula (EYFF)

Full details of the current 2024/25 funding formula can be found in the [January 2024 Schools Forum papers](#) and in in [Merton's funding early entitlement guidance 2024/25](#)

A summary of the current funding formulas for each age-related entitlement are as follows.

Entitlement	Base rate	Deprivation supplement	Quality supplement
Expanded entitlement for under 2's (9 months – 2 years)	Included	Included	Not included
Existing and Expanded entitlement for 2-year-olds .	Included	Included	Not included
Universal and Extended Entitlement for 3&4-year-olds	Included	Included	Included

The current 24/25 funding rates for each age-related entitlement are shown below;

Entitlement	Single base rate	Deprivation supplement	Quality Supplement (TPPG)	Sparsity	EAL supplement**
Under 2's	£12.50	£1.32	£0.00	£0.00	£0.0
2-year-olds	£9.00	£1.65	£0.00	£0.00	£0.00
3&4-year-old	£5.87	£2.90	£0.27	£0.00*	£0.00

3. The Consultation - Proposed Early Years Funding Formula (EYFF) 2025 –2026

As per 24/25 there will be five main funding streams in the EYDSG (shown below).

1. Under 2's expanded early education and childcare entitlement funding
2. 2-year-old early education and childcare entitlements funding
3. 3&4-year-old early education and childcare entitlements funding
4. Early Years Pupil Premium (EYPP)
5. Disability Access Fund (DAF)

Local authorities are required to;

- Pass through 96% of all three entitlement funding streams (1-3 above) to providers.
- Distribute the entitlement funding streams through a local funding formula known as the Early years Funding Formula (EYFF)

- Limit the amount of funding used in the formula for supplements to a maximum of 12% of the passthrough rate (96%) on each entitlement funding streams
- Apply the mandatory deprivation supplement in the 3& 4-year-old funding formula only. It is optional for the under 2's and 2-year-old funding formulas.
- Create a Special Educational Needs Inclusion Fund that is available for eligible children from 9-month-olds taking up their free childcare entitlements, and to consult on the value of this fund with providers and the schools forum.

To note, the EYDSG allocations for each of the three early education and childcare entitlements funding streams are calculated using differing funding base rates, weighting and factors. This means there will be different hourly single base rates and supplement rates allocated to local providers dependant on the age of the child (reflecting the different cost of delivery particularly due to the difference in statutory staffing ratios) more information is available here [Early years funding: 2025 to 2026 - GOV.UK](#)

4. **Merton's approach to distribution of the EYDSG and the proposes EYFF - The Principles**

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 continue to apply the following established and embedded **principles to the proposed 25/26** local funding formulas for each age-related funding stream.

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) Additional government support (existing) and Working parents (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 as well as support narrowing of the gap at the end of the EYFS.
- 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 to meet the increase in cost to teachers pay and pensions. (As recommended by the DFE)

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:

- (i) To create a SENIF for each age ranges 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).
- (ii) To create minimal contingency funds (0.2% 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.
- (iii) Retain 4% of each of the age-related entitlement funding streams to meet the statutory duties, support the sector and families, and promote early childhood development and school readiness.

London Borough of Merton is now consulting on their proposed funding formula and the elements outside the formula in financial year 2025/26 as described below.

A summary of the main changes to the proposed local funding formula in 2025/26:

- 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) Merton proposes the a differential base rate for 2 year olds that will mitigate any potential loss from the decrease in deprivation supplement (minimal) for the very few number of eligible children as these children will be eligible for the higher base rate..
- To **implement** a differentiated base rate in the funding formula for 2-year-olds dependent on the type of entitlement they are taking up
- **No change** to the 3& 4-year-old funding formula

The proposed local funding formula for each age-related entitlement:

Under 2's Entitlement

The council proposes to implement a formula that consists of a single base rate and no supplements. (Percentages have been rounded where possible)

Formula elements

- 99.7% of the passthrough rate (i.e the 96%) to be distributed via single base rate that is paid to all provider types.

Non- formula elements

- 0.1% of the pass through to be distributed via a SENIF
- 0.2 % of the pass through to be used to create a contingency budget.

2-Year-Old Entitlement

The council proposes to implement a higher base rate for children eligible for the 2-year-old entitlement for children receiving additional Government support - achieved by removing the deprivation supplement from the 24/25 EYFF.

The council proposes to implement a formula that consists of a base rate and no supplement for each entitlement. (Percentages have been rounded where possible)

Formula elements

- 99% of the passthrough rate (i.e the 96%) to be distributed via the base rate that is paid to all provider types.
- Higher base rate applied to eligible children receiving additional government support.

Non-formula elements

- 0.6% of the pass through to be distributed via SENIF
- 0.2% to create the contingency budget.

3&4-Year-Old Entitlement

The council proposes to implement a formula that consists of a single base rate and two supplements. (Percentages have been rounded where possible)

Formula elements

- 92% of the pass-through rate (i.e the 96%) to be distributed via the single base rate - paid to all provider types.
- 2.9% of the pass through to be distributed via a deprivation supplement – paid to all provider type, based on a child’s eligibility for EYPP.
- 2.6% quality supplement – available to Schools only to support the increase in teachers’ pay and pensions contributions.

Non-formula elements

- 2.7% of the pass through to be distributed via a SENIF.
- 0.2% of the pass through to be used to create a contingency budget.

An illustration of the proposed formula elements to be distributed to providers in 25/26 for each of the funding entitlements is shown in the table below.

Formula elements

Entitlement	Base rate	Deprivation supplement	Quality supplement
Expanded entitlement for under 2’s (9 months – 2 years)	Included	Not included*	Not included
Existing and Expanded entitlement for 2-year-olds .	Included	Not included*	Not included
Universal and Extended Entitlement for 3&4-year-olds	Included	Included	Included

**This consultation proposes to remove the Deprivation rate for under 2’s and 2-year-olds.*

Appendix A: has been prepared **for information only**, to support providers and the schools’forum respond to this consultation. It provides additional information and calculations considered in the development of the proposed funding formulas; this includes details on the non- formula elements as well as details (subject to the outcome of this consultation) of the proposed funding rates anticipated to be paid to providers in 2025/26.

Non- formula elements

There are three elements that form the main EYDSG that are not required to be part of the funding formula. Two of these elements (SENIF & Contingency) are to be funded from the 96% pass through rate, and one element- the LA retention, to fund related activity/services (4%)

Special Educational Needs Inclusion Fund (SENIF)

Excerpts from DFE: [Early years entitlements: local authority funding operational guide 2025 to 2026 - GOV.UK](#) states the following;

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

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.

All early years providers that are eligible to receive funding for the entitlements are eligible to receive funding from the SENIF to support children with SEN attending their settings.

Merton's SENIF budgets are established from the 96% pass through of **each** of the age-related entitlement funding streams, this means the total amount of each SENIF budget varies based on the age of the child and the estimated participation rates for eligible children. There is a requirement to publish the value of the fund each year.

Merton's proposed value of the mandatory SENIF for 2025/26 will be based on the following methodology:

Where applicable, previous year's average participation and actual spend for SENIF funding for the past three funding periods – period 3 (spring) 2024; Period1(summer) 2024 and period 2 (autumn) 2024.

- Under 2's
- 2-year-olds
- 3- and 4-year-olds

Then an estimated demand has been applied on the following to reflect the increase in hours for the working parent entitlements

- Under 2s – a 25% increase on the 24/25 SENDIF budget
- 2-year-old – increase of 20% on the last 3 terms actual spend.

To note, as the final phase of the funded early education entitlement expansion take place mid-way through the financial year 25/26 and there is no baseline data, therefore, the SENIF for the under 2' and the 2-year-olds have been estimated using the methodology described above.

The proposed/indicative value of the SENIF budgets available in 25/26 to be allocated to providers via an application process are as follows. This will be dependent upon the outcome of this consultation.

Under 2's entitlement	2-year-old entitlement	3& 4-year-old entitlement
£10,000	Circa. £38,494	£398,601

Contingency Fund

Contingencies form part of the 96% pass through rate and are held centrally to ensure a minimal amount of resource is held back to accommodate any possible growth in participation, SENIF or the deprivation (where applicable). It is proposed that any funds remaining in the contingency are distributed across the sector at the end of the financial year.

The council aims to keep the contingency fund a low as possible to ensure that the majority of the funding is passed on to providers at the earliest opportunity to support with business planning and sustainability, however the council must also consider the impact of any fluctuation in participation and/ or over-spend in SENIF to ensure that the funding formula is sustainable and within the funding envelope the council receives from the DfE.

Centrally retained element (4%)

A limit for centrally retained items of a maximum 4% has been set by the DfE. Merton intends to retain 4% of the entitlement funding streams in 25/26 to deliver its statutory functions (see appendix A for further details)

LAs can charge for applicable services. Merton Council is not proposing at this stage to charge for support, training, guidance and inclusion work in settings.

Schools' Forum approval is required for the overall centrally retained items of the Early Years block and is not part of this funding consultation

The centrally retained budget in 2025/26 is estimated at £1.2m

5. Indicative Budgets

By the end of February 2025, providers will receive confirmation of the funding rate for 2025/26, following and before the end of March 2025, provider will receive an indication of their annual income (indicative budget) for 2025/26, based on their previous year's headcounts/claims. i.e., May 2024, October 2024, and January 2025.

Schools and providers should note that the indicative budgets **are only** able to provide an **indication** of the potential income from the entitlements they delivered in the last year. It is not possible for the Council to accurately predict how many children in each school or setting will participate the expanded entitlements for working parents therefore this is not included in the indicative budgets.

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.

In 25/26, as normal PVI settings will be asked to confirm their anticipated/realistic numbers ahead of each term for all entitlement (new and existing) to reflect any changes in participation more accurately, this will be reflected the level of funding that is paid to providers as part of their estimate payments.

During 25/26, actual funding allocations for all providers will be adjusted termly, based on their actual headcount/census and confirmed child eligibility in each funding period in the financial year.

6. Administration, data collection and payments

It is the Government’s expectation that local authorities can distribute funding to providers monthly. Merton consulted with providers in 2024 and will pay all schools and setting monthly from April 2025 as per the proposals described in the monthly payment consultation document.

7. Responding to the proposals

If you would like to make comments on any of the proposals relating to the Early Years funding, please do so in the appropriate section of the online Consultation Feedback form by **06 February 2025**

We appreciate that this is quite a technical note and complicated matter, if you wish to discuss the details of this consultation document, please contact laura.byrnes@merton.gov.uk,

Once the consultation period closes, Merton will publish the outcome of the consultation and confirmed funding rate by the 28 February 2025

The council will aim to also issue providers with their indicative budgets as early as possible, however they will be issued before the required end of March 2025 date.

8. Funding formula consultation timetable

16 January 2025	Head Teachers meeting
16 January 2025	Schools Forum meeting
16 January – 06 February 2025	Consultation Window
23 January 2025	PVI Managers Meeting
28/ February 2025	LA publishes consultation response and local funding rates.
12 March 2025	Schools Forum meeting
By 31 March 2025	LA Published Indicative EY 25/26 Budgets

Appendix A

Merton Early Years funding formula – Additional Information

This document has been prepared to provide information and for illustrative purposes only to help schools and settings in their response to the funding consultation.

No decision on the funding formula for 25/26 will be made until an analysis of the response has been undertaken.

This document provides further information on:

1. Setting a local funding formula –Statutory guidance
2. Non-formula elements that are not consulted on as part of the funding formula but are included in the 96% pass through rate and
3. Details on the two EYDSG funding streams that are distributed to providers that are also not part of the consultation.
4. Indicative local hourly funding rates calculated using the proposed funding formula. **These are subject to the outcome of the consultation document and may change.**

1. Setting a local funding formula –Statutory guidance

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 early years providers. 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.

Local authorities should ensure their early years providers are sufficiently represented at schools' forum meetings to cover votes 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. More information can be found in the [schools forums operational and good practice guide](#). Merton's Schools Forum member can be found in the [published meeting minutes and papers](#)

Whether or not their local formulae have changed, local authorities must deduct any central expenditure by 28 February 2025 and calculate and notify initial budgets to providers by 31 March 2025 for all the early years entitlements, taking into account the 96% pass-through requirement. Local authorities are encouraged to complete this process by 28 February 2025.

Regulations require local authorities to review and redetermine provider budgets during the year when further information about actual hours of attendance becomes available. Local authorities are expected to obtain at least termly updates on hours of attendance. When updating provider budgets, local authorities must either use the actual total number of hours for the relevant review period, or the predicted total number of hours based on the actual hours of attendance in at least

3 different sample weeks. Merton's current arrangements can be found in [Merton's funding early entitlement guidance 2024/25](#) – this will be updated for the new financial year.

Non-formula elements

Special educational needs inclusion fund (SENDIF)

It is the council's view that the more funding allocated through the base rate enables providers to have the funding available at the earliest opportunity to support the implementation of early intervention and high quality ordinarily available provision flexibly. See consultation document for more details of the requirements for SENIF.

To ensure the highest base rate of funding reaches providers, the council is reviewing and consulting with providers on the SENIF processes, criteria and allocations. It is expected that any changes to the SENIF process, criteria and allocations will be implemented in the first half of the year between April 2025 – September 2025, dependent on the outcome of the review.

The application, criteria/eligibility and distribution process of SENIF is not in scope for this consultation and is being reviewed separately. What is in scope for the purposes of this consultation is providers views around the methodology for setting the value of the SENIF, which is a question on the feedback form.

Initial financial modelling for 25/26 assumes a highest base rate as possible for all age ranges, as per this consultation, therefore the proposed SENIF's are as follows;

Under 2's entitlement	2-year-old entitlement	3& 4-year-old entitlement
£10,000	Circa. £38,494	£398,601

SENIF is calculated based on the past three terms expenditure and an estimated increase in demand as a result of the final phase of the funded early education expansion.

Contingency fund

The proposed contingency budgets set out below are all 0.2% (of the 96% passthrough) of each of the age-related entitlement allocations, to ensure a high percentage of funding is readily available to providers through the regular funding.

Contingency funds are used to support in year fluctuation in participation and/ or demand for SENIF

Under 2's entitlement	2-year-old entitlement	3& 4-year-old entitlement
£16K	£13K	£29K

Centrally retained element.

The items below will continue to be funded via the retained element, based on the anticipated percentage of the total budget to facilitate the full delivery of the age-related entitlements

- management, coordination and reporting of the Council's statutory duties with regards to childcare, early education and sufficiency
- fund continuous improvement with a focus on settings requiring improvement and inadequate
- training and workforce development,
- inclusion and early intervention work with settings supporting children with SEND and/or other additional needs, embedding ordinarily available
- practice guidance, overseeing SENIF processes and distribution
- administration including communication/promotional activities
- provider and resident engagement
- IT system development and maintenance.

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

The total centrally retained budget in 2025/26 is estimated as £1.2m

2. EYDSG additional funding streams

Additional funding streams that are part of the EYDSG but are not part of the funding formula consultation are Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF), these funding streams must be passed on in full to providers for eligible children.

EYPP

- There is no funding formula for EYPP, it is paid as fixed hourly rate (determined by the DfE), for eligible children. The council distributes this funding through the termly headcount process based on actual participation.
- The fixed hourly rate in 2024/25 for all eligible children regardless of age will be **£1.00** per hour per child- this is an increase of 32p compared to 24/25
- EYPP will be distributed to providers through the headcount process and based on actual participation up a maximum of 15 hours a week
- Eligibility criteria is the same for all age groups and can be found [here](#)

DAF

- DAF is paid as annual lump sum based on a child's eligibility and take up of the early education and childcare entitlement through the termly headcount process.
- The fixed lump sum for all age groups in 25/26 is **£938** this is an additional £28 compared with 2024/25.
- DAF will continue to be paid as an annual lumps sum based on a child's eligibility and take up of the early education and childcare entitlements through the termly headcount process.
- Children must be in receipt of Disability Living Allowance (DLA) for providers to receive this fund.

3. Indicative funding formula hourly rates

Current funding formula hourly rates 2024/25

A summary of the hourly rates paid to providers 24/25 are shown in the table below,

Entitlement	Single base rate	Deprivation supplement	Quality Supplement (TPPG)	Sparsity	EAL supplement
Under 2's	£12.30	£1.32	£0.00	£0.00	N/A
2-year-olds	£9.00	£1.63	£0.00	£0.00	N/A
3&4-year-old	£5.72	£2.90	£0.27	£0.00	N/A

Illustrative indicative funding formula rates in 25/26 based on the Merton's funding proposal - subject to change

As part of our planning, financial modelling has taken place based on the principles within the consultation documents and the available budgets. From this initial modelling, we anticipate the base rates and supplements will be in line with the below, which are dependent upon formula sign off/final decision making

Entitlement	Base rate	Deprivation supplement*	Quality Supplement	Sparsity	EAL supplement
Under 2's	£13.39	£0.00	£0.00	N/A	N/A
2-year-olds – receiving additional Government support	£11.32	£0.00	£0.00	N/A	N/A
2- Year-Olds- working parents	£9.41	£0.00	£0.00	N/A	N/A
3&4-year-old	£6.23	£2.90	£0.27	N/A	N/A

*Merton is proposing to remove the Deprivation supplement for under 2's and 2-year-olds therefore no monetary value is shown in the above table and is for illustrative purposes only. In the event this proposal is not agreed, the single base rate will have to be reduced.

There are very few number of children eligible for the under 2's entitlement and the 2 year old entitlement for working parents that would also be eligible for deprivation supplement (EYPP eligibility) therefore, it is the councils view that the impact of removing the supplement will be minimal and enable more funding into settings at the earliest opportunity to support setting to meet the need of children.

4. Funding rates year on year comparison for illustrative purposes ONLY

A summary of the proposals compared with financial year 2024/25 are shown below;

Under 2's

- **Increase** of 89p per hour (7%) on the base rate allocated for all children.

- **Removal** of the deprivation supplement hourly rate of £1.32 per hour
- **Increase** of 32p EYPP allocated to eligible children
- **Increase** of £28 DAF lump sum allocated for eligible children

2-Year-olds- Families receiving additional Government support

- **Increase** of £2.32 per hour (26%*) on the base rate allocated to eligible children
- **Removal** of the deprivation supplement hourly rate of £1.63 per hour, however the higher base rate compensates for the removal of this supplement.
- **Increase** of 32p EYPP allocated to eligible children
- **Increase** of £28 DAF lump sum allocated for eligible children

**percentage increase is a direct base rate comparison. Many children eligible for this entitlement will have also been eligible for the deprivation supplement. Once the deprivation supplement is considered alongside the base rate this means a 6% increase in the per hour funding the setting will receive.*

2-year-olds- Working parent entitlement

- **Increase** of 41p per hour (5%) on the base rate allocated to eligible children
- **Removal** of the deprivation supplement hourly rate of £1.63 per hour -impact very few children
- **Increase** of 32p EYPP allocated to eligible children
- **Increase** of £28 DAF lump sum allocated for eligible children

3& 4-year-olds Universal and Extended Entitlements

- **Increase** of 36p per hour on the base rate allocated eligible children
- **No change** to the deprivation supplement hourly rate of £2.90 for eligible children
- **Increase** to the Quality Supplement of 5p per hour, allocated to schools only.
- **Increase** of 32p EYPP allocated to eligible children
- **Increase** of £28 DAF lump sum allocated for eligible children