

Early Years Funding 2025-26

Changes to Entitlements

The Government has announced changes to the entitlements for funded Early Years Provision. These changes have been implemented across several years and are summarised in the table below.

Timeline of extension to Early Years Entitlements	From date
3- and 4-year-olds <ul style="list-style-type: none">15 hours universal offer all children30 hours children of working parents	Already implemented Already implemented
2-year-olds <ul style="list-style-type: none">15 hours children from Families Receiving Additional Support (FRAS)15 hours children of working parents30 hours children of working parents	Already implemented Already implemented September 2025
9 months – 2-year-olds <ul style="list-style-type: none">15 hours children of working parents30 hours children of working parents	Already implemented September 2025

As can be seen above there are two new entitlements within the 2025-26 financial year:

- 30 hours for working parents of 2-year-olds from September 2025
- 30 hours for working parents of under 2s from September 2025

Principles and Context

The following principles have been used in setting the 2025-26 funding rates:

- Passport the increase in monetary value in hourly rates received in the settlement to providers.
- Meet the government requirements re centrally held limit.
- Fund the 2-year-old 'Families Receiving Additional Support' (FRAS) and working parents with deprivation supplement equally.
- Reflect the % increase in entitlements on SENIF and Central Expenditure to account for the increased demand.

2025-26 Early Years Hourly Rates

Following the principles set out in this paper, the hourly rates have been calculated at the maximum possible value to meet the regulations and to utilise all the funding available.

The hourly rate increase in the allocation, has been added to the hourly rate of each entitlement. The under 2 hourly rate has increased by more, as this was a new entitlement from September 2024. The initial funding rate was set prudent, and monitoring of the funding stream so far is indicating that the rate can be increased.

The regulations include the centrally retained limits, and a requirement for 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.

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The proposed hourly rates for 2025-26 are set out in Appendix 1, alongside the comparison to 2024-25.

Maintained Nursery Schools

In addition to the hourly rates, maintained nursery schools are also allocated an additional grant, the Maintained Nursery Schools Grant (MNS grant).

This funding was introduced to enable local authorities to protect their 2016 to 2017 funding rates for the universal 15-hour entitlement for MNS (that is, the rates that existed before the EYNFF)

Bolton has 2 nursery schools, Grosvenor, and The Orchards. The allocation received from the Government is based on an hourly rate of £5.27 must be passed on in full.

SEN Inclusion Fund (SENIF)

SENIF has historically faced demand pressures, and in 2024-25 the budget was increased from £500,000 to £1,000,000. This was also to reflect increased demand and the extension of the entitlements.

The SENIF budget for 2025-26 has been increased by £366,500 (37%) to reflect the increase in entitlements

The proposed SENIF fund for 2025-26 is £1,366,500.

Centrally Retained Funding

The expenditure retained by the local authority is used to fund the administration of the entitlements, such as eligibility checking and systems, and contributes to a range of support to providers to improve early years outcomes through improving quality.

A regulatory requirement within the early years reforms is to passport 96% of funding to providers, i.e., a maximum retention of 4% for central functions. This applies to each funding stream individually, although for 3- and 4-year-old funding, 15 and 30 hours are treated as one calculation.

In future, the 96% pass through will increase to 97%, i.e., a maximum retention of 3%.

In setting the 2025-26 Central Expenditure, the principle has been increased in line with the % increase in funding.

The Central Expenditure budget for 2025-26 has been increased by £386,500 (34%) to reflect the increase in entitlements.

The proposed Central Expenditure is £1,534,300

The table below shows the comparison to 2024-25.

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Central Expenditure			
2024-2025		2025-2026	
£	% pass through	£	pass through
1,147,800	97.0%	1,534,300	97.0%

Allocation of Dedicated Schools Grant

The table in Appendix 2 shows the planned allocation the Dedicated Schools Grant – Early Years Block for 2025-26.

Approval

The rates were presented to Schools Forum on Friday 17th January 2025 and formally approved at the Executive Member for Children’s Services meeting on the 4th February 2025.

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Appendix 1 - Early Years Rates 2025-26

Rates per hour	2024-2025	2025-2026	Increase	
	Current	Proposed	£	%
3 and 4 Universal				
Base	£4.96	£5.23	£0.27	5.4%
Deprivation	£0.40	£0.40	£-	0.0%
Quality	£0.23	£0.23	£-	0.0%
3 and 4 working				
Base	£4.96	£5.23	£0.27	5.4%
Deprivation	£0.40	£0.40	£-	0.0%
Quality	£0.23	£0.23	£-	0.0%
2 YO – Families Receiving Additional Support (FRAS)				
Base	£7.48	£7.81	£0.33	4.4%
2 YO Working				
Base	£7.26	£7.59	£0.33	4.6%
Deprivation	£0.22	£0.22	£-	0.0%
Under 2				
Base	£10.13	£10.64	£0.51	5.0%
Deprivation	£0.30	£0.30	£-	0.0%
EYPP				
3 and 4	£0.68	£1.00	£0.32	47.1%
2-Year-Old	£0.68	£1.00	£0.32	47.1%
Under 2	£0.68	£1.00	£0.32	47.1%
DAF (per year)				
3 and 4	£910	£938	£28	3.1%
2-Year-Old	£910	£938	£28	3.1%
Under 2	£910	£938	£28	3.1%

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Appendix 2 – Reconciliation to DSG Early Years Block

Early Years Estimated Expenditure 2025-2026	
Funding Stream	Amount Allocated
3 and 4 Universal	£14,684,099
3 and 4 Working Parent	£6,249,491
3 and 4 Deprivation	£848,389
3 and 4 Quality	£529,558
2-Year-Old FRAS	£3,755,543
2-Year-Old Working	£8,096,757
2-Year-Old Deprivation Supplement	£89,182
Under 2 YO Working	£12,363,211
Under 2 Deprivation Supplement	£132,464
EYPP 3 and 4	£308,267
EYPP 2 YO	£190,722
EYPP Under 2 YO	£17,163
DAF 3 and 4	£191,352
DAF 2 YO	£57,218
DAF Under 2 YO	£20,636
MNS	£504,655
SENIF	£1,366,500
Central Expenditure	£1,534,340
Total Estimated Expenditure	£50,939,548
DSG Estimated Allocation 2025 - 2026	£50,939,548
Difference	£0