



# **Kirklees Early Years Funding Formula Final Proposals**

**2025-26**

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## Introduction

The Department for Education published details of the Early Years Funding Formula 2025-26 including local authority hourly funding rates on 10 December 2024. The rates include an average 4.1% increase for the current 3 and 4-year-old entitlement, 3.3% increase for 2-year-olds and 3.4% increase for under 2s. The funding rates reflect forecasts of average earnings and inflation next year, as well as the national living wage announced at the Autumn Budget.

The funding rate for the Early Years Pupil Premium (EYPP) will increase from 68p to £1 per hour per eligible child, and the Disability Access Fund (DAF) will increase from £910 to £938 per eligible child per year.

Details can be found on [Gov.uk](https://www.gov.uk)

Although this adds further investment to early years, Kirklees along with one third of other local authorities will still receive the lowest funding base rate in the country for three-and four-year olds from April 2025.

## Kirklees Early Years Block Funding 2025-26

Table 1: Initial funding allocation for 2025-26

Funding stream	2025-26 Initial funding allocation
3 & 4 yr olds - Universal	£20,255,007
3 & 4 yr olds - Extended	£9,343,528
2 yr olds - Disadvantaged	£5,787,039
2 yr olds - Working parent	£12,576,817
Under 2s - Working parent	£18,605,349
<b>Total place funding</b>	<b>£66,567,740</b>
Early Years Pupil Premium (EYPP)	£1,184,267
Disability Access Funding (DAF)	£343,308
Maintained Nursery School Supplementary Funding (MNSSF)	£222,990
<b>Total Early Years Block</b>	<b>£68,318,304</b>

## Changes for 2025-26

The main changes to the funding formula requirements are:

- an increased minimum pass-through requirement for local authorities in 2025-26. The pass-through rate will increase from 95% to 96% meaning that the amount local authorities can retain for administration will reduce to 4% of the entitlement funding.

- an expectation that local authorities will announce their funding rates to childcare providers by 28 February 2025. The government intend to mandate this as a requirement in the regulations from the financial year 2026-27.

## Consultation

The Council did not propose to make any changes to the current funding formula used in 2024-25 in relation to:

1. **One base rate for both the 2-year-old entitlements.** i.e. the disadvantaged 2-year-old entitlement and the working parent 2-year-old entitlement.
2. **No discretionary deprivation supplement.** i.e. no deprivation supplement for the disadvantaged 2-year-old entitlement, the working parent 2-year-old entitlement and the working parent under 2-year-old entitlement.

## Key areas for consultation in 2025-26

The Council sought providers views on the following elements for 2025-26:

- A. The amount of funding retained centrally to support local authority statutory duties around the early years entitlements including administration of the funding.
- B. Retaining a contingency fund for each of the five entitlement funding streams.
- C. Transfer of funds from the Early Years Block to the High Needs Block.
- D. The amount of funding allocated to the Special Educational Needs and Disabilities Inclusion Fund (SENDIF).
- E. The frequency of early years funding payments to providers in the private, voluntary and independent sector including academies.

## Consultation timeline and events

Table 2: Consultation timeline

Event	Dates
Online survey	20 December 2024 to 19 January 2025
Virtual briefing sessions	8 and 16 January 2025
Early Years and Childcare Reference group Includes provider representation for childminders, pre-schools, day nurseries, out of school provision and schools and academies with nursery provision.	27 January 2025
Schools Forum	7 February 2025
Funding formula and rates communicated to providers	Before 28 February 2025

Table 3: Briefing sessions

Date	Venue	Number of Bookings	Number of Attendees
8 January 2025	Online – Microsoft Teams	11	9
16 January 2025	Online – Microsoft Teams	43	27

## Consultation responses

There are currently 387 providers registered to provide early education and childcare, 40 providers responded to the survey (10.3%), results are shown below.

Table 4: Number of responses analysed by provider type

Provider Type	Number of funded providers	Percentage of funded providers	Number of funded providers that responded	Percentage of respondents
Childminder	141	36%	9	22%
Daycare Nursery	104	27%	21	52%
Maintained School /Academy Nursery	71	18%	4	10%
Pre-School School	61	16%	5	13%
Independent School	6	2%	1	3%
Out Of School Care	4	1%	0	0%
<b>Total</b>	<b>387</b>		<b>40</b>	

Figure 1: Bar chart showing the number of funded providers and the number responded by provider type

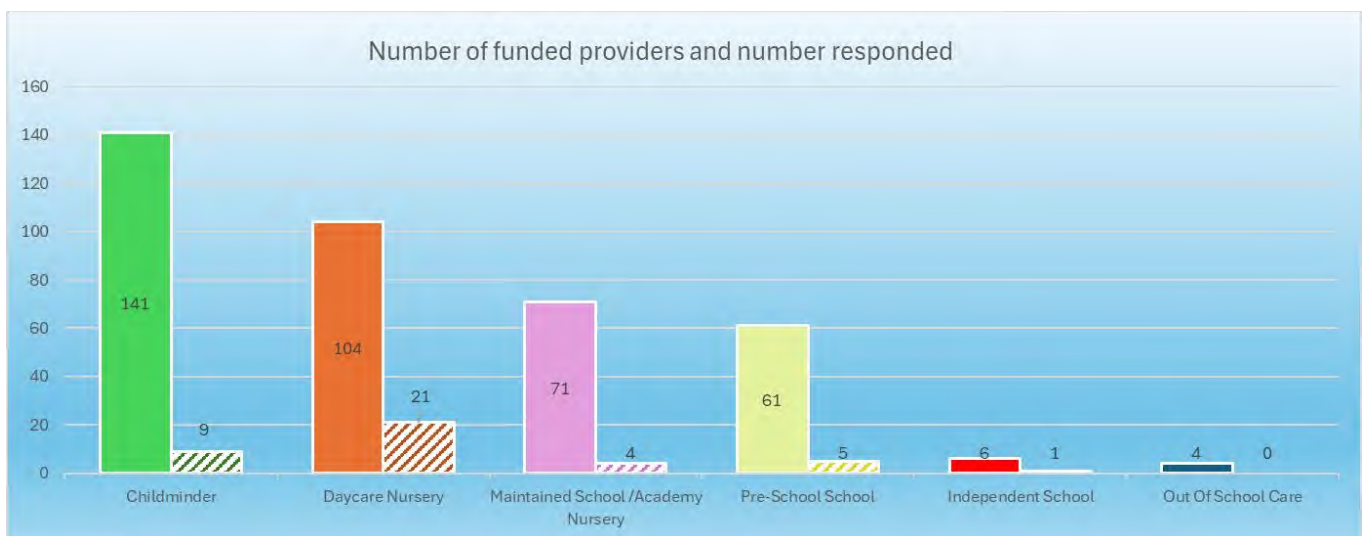
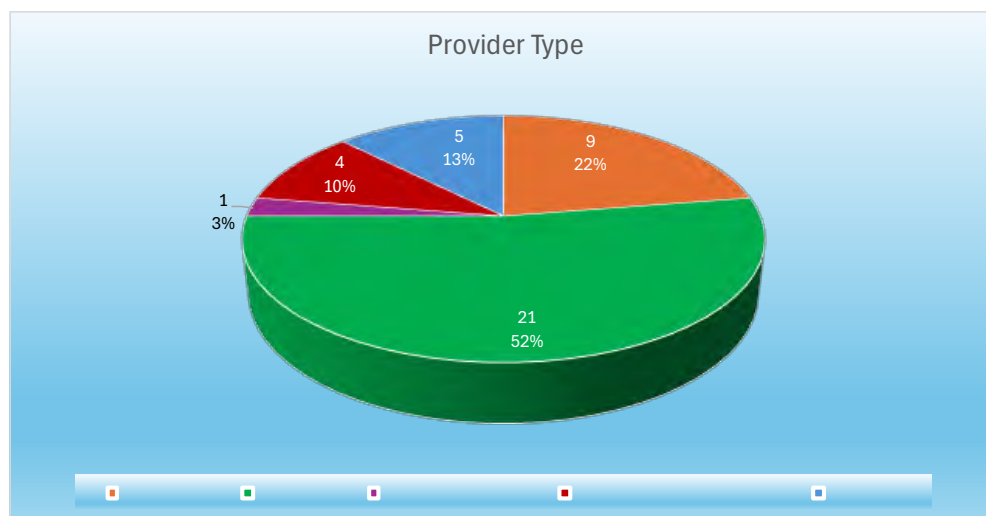


Figure 2: Pie Chart showing the number of funded providers which responded to the consultation and the percentage by provider type



## Early Years Funding Formula Proposals

A summary of the responses to questions 1 to 3 is shown in the table below

Table 5: Responses to questions 1 to 3

	Number of settings in agreement	Percentage of respondents in agreement	Number of settings that did not agree	Percentage of respondents that did not agree
<b>Question 1:</b> Do you agree with the proposed increases to the amount retained centrally to fund local authority support functions as the free entitlements continues to expand?	35	87%	5	13%
<b>Question 2:</b> Do you agree with the proposals for retaining an amount of 0.8% for contingency which will be used for the benefit of providers?	36	90%	4	10%
<b>Question 3:</b> Do you agree with the proposed Early Years Block transfer to the High Needs Block of £0.5 million in 2025-26?	32	80%	8	20%

There is a clear majority of providers in agreement with the proposals set out in questions 1 to 3.

Figure 3: Pie chart showing the response to question 1

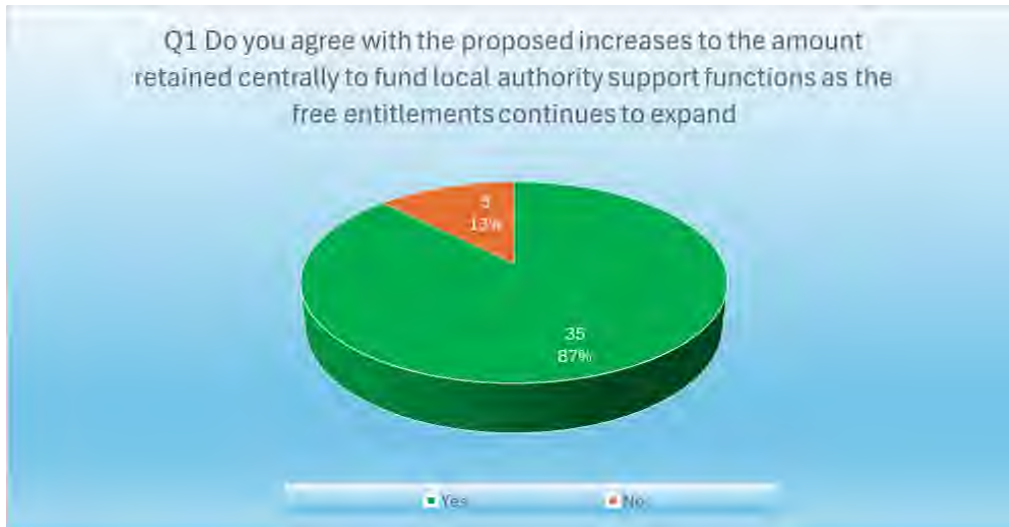


Figure 4: Pie chart showing the response to question 2

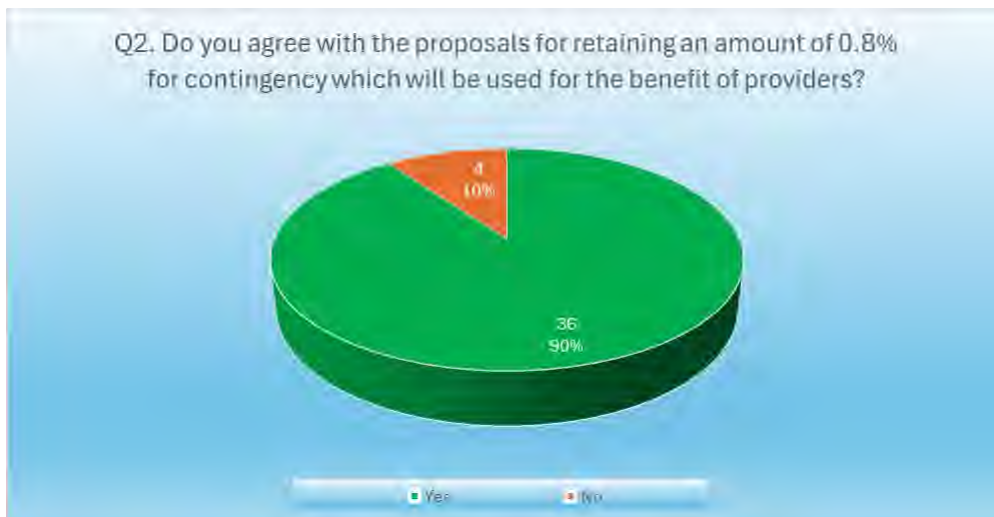
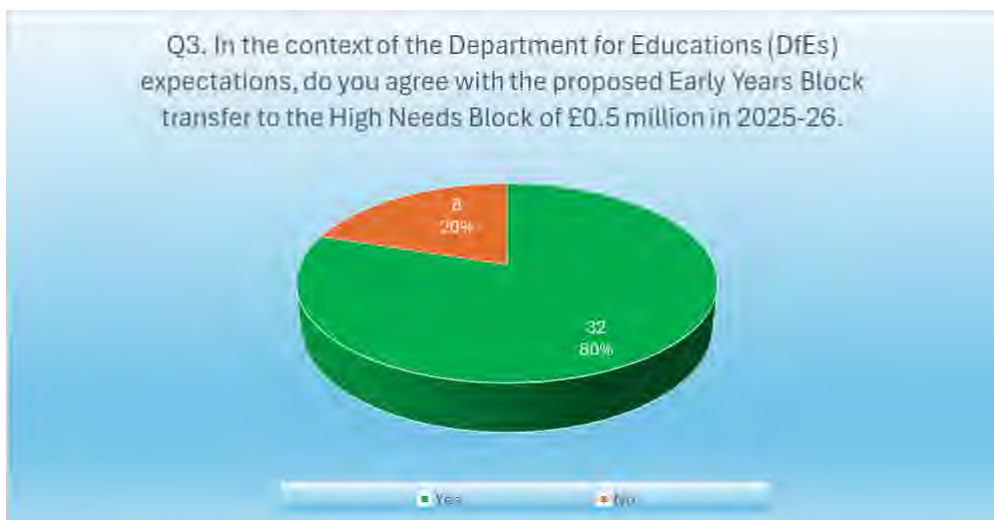


Figure 5: Pie chart showing the response to question 3



## Value of the special educational needs and disabilities inclusion fund (SENDIF)

### Question 4: Preference regarding the value of the special educational needs and disabilities inclusion fund (SENDIF).

Marginally (2) more Providers responded to indicate a preference for the value of SENDIF to remain the same, with a total value of £2 million, (£1 million from the High Needs Block and £1 million from the Early Years Block), this equates to 52% of respondents in total. However, of the 48% who indicated a preference for an increased budget, 5% of the 48% felt a significant increase was required (increasing to £4 million).

Figure 6: Pie chart showing the response to question 4

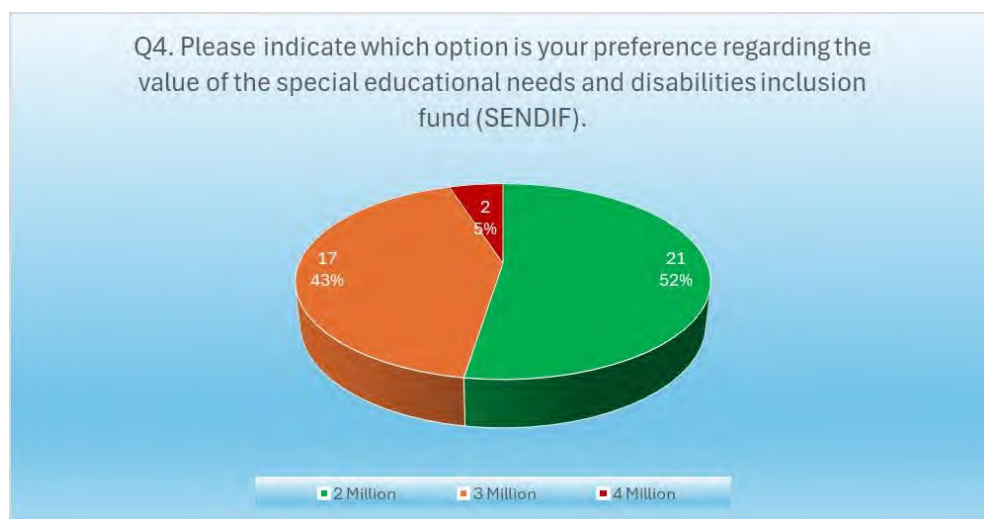
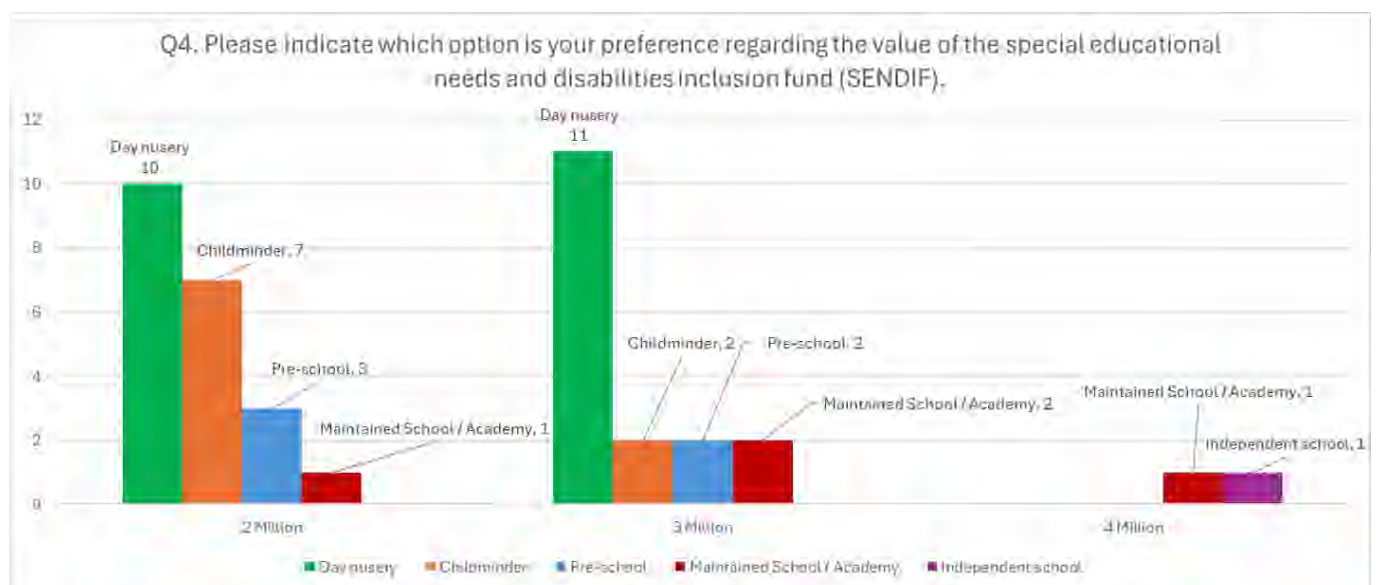


Figure 7: Bar chart showing the response to question 4 analysed by provider type





A key consideration when setting the SENDIF value is the impact of the provider base rates, this is illustrated in the table below.

Table 6: SENDIF value options and the impact on the illustrative provider base rates

Type of Funding	Option A	Option B	Option C
Proposed total SENDIF value	£2 million	£3 million	£4 million
Contribution from the High Needs Block Funding	£1 million	£1 million	£1 million
Contribution from the Early Years Block Funding	£1 million	£2 million	£3 million
Under 2s provider base rate	£10.38	£10.27	£10.16
Impact on the Under 2s provider base rate compared to option A		-£0.11	-£0.22
2-year-old provider base rate (disadvantaged and working parents)	£7.66	£7.55	£7.44
Impact on the 2-year-old provider base rate compared to option A		-£0.11	-£0.22
3- & 4-year-old provider base rate (universal & extended)	£5.51	£5.40	£5.29
Impact on the 3- & 4-year-old provider base rate compared to option A		-£0.11	-£0.22

We know that the current SENDIF budget of £2 million has been under significant pressure and there has been an increase in demand with more SENDIF claims being received than expected. Estimates in December 2024 suggested a significant overspend on the available £2 million, which would have meant a significant decrease in the hourly rate from £6.96 to approximately £2.00 for the spring term 2025. On this occasion, some of the contingency funding set aside for 2024-25 which had not been required for other purposes has been used to support SENDIF on a temporary basis. The hourly rate still had to be reduced but has been protected for the spring term 2025 at £6.25. Modelling to estimate SENDIF spend for 2025-26 suggests that continuation of a £2 million budget will mean that there will have to be a significant reduction in the hourly rate for the 2025-26 financial year.

Analysis of comments raised by some providers who responded highlights risk to ensuring children's needs can be met if the current SENDIF funding hourly rate reduces much further.

Provider preferences for the different funding levels were analysed to look at any potential differential between these and numbers of children accessing SENDIF currently within the settings who had responded.

Table 7: Responses to question 4

SENDIF value preference	Number of settings expressing preference	Percentage of settings in receipt of SENDIF funding	Total number of children receiving SENDIF funding at these settings	Average number of children receiving SENDIF per funded setting	Respective proportion of total SENDIF children
£2m	21	48%	37	3.7	34%
£3m	17	71%	59	4.9	54%
£4m	2	100%	13	6.5	12%

The above table illustrates that those providers expressing a preference for the lowest SENDIF value have significantly fewer children accessing SENDIF currently than providers expressing a preference for a higher SENDIF value (£3 million or £4 million). The figures illustrate that those settings with higher numbers of children with SENDIF currently would be disproportionately affected financially should the SENDIF value be set at the lowest option of £2 million.

Linked to this there is a risk that to set a SENDIF budget of £2 million would present a significant risk to the positive inclusive practice in Kirklees.

## Summary

Balancing the impact on the base rate, where £4 million would present too greater impact alongside the need to adequately support inclusive practice it is proposed that the SENDIF budget be set at £3 million (£1 million from the High Needs Block and £2 million from the Early Years Block).

## Frequency of payments

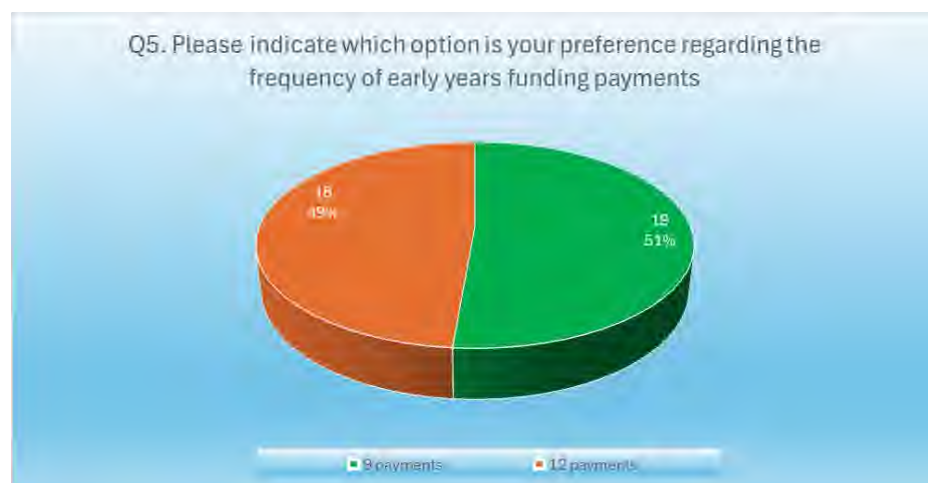
### Question 5: Preference regarding the frequency of early years funding payments.

A total of 37 providers responded to question 5.

Table 8: Responses to question 5

	9 Payments a year	12 Payments a year
Number of settings expressing preference	19	18
Percentage of respondents	51%	49%

Figure 8: Pie chart showing the response to question 5

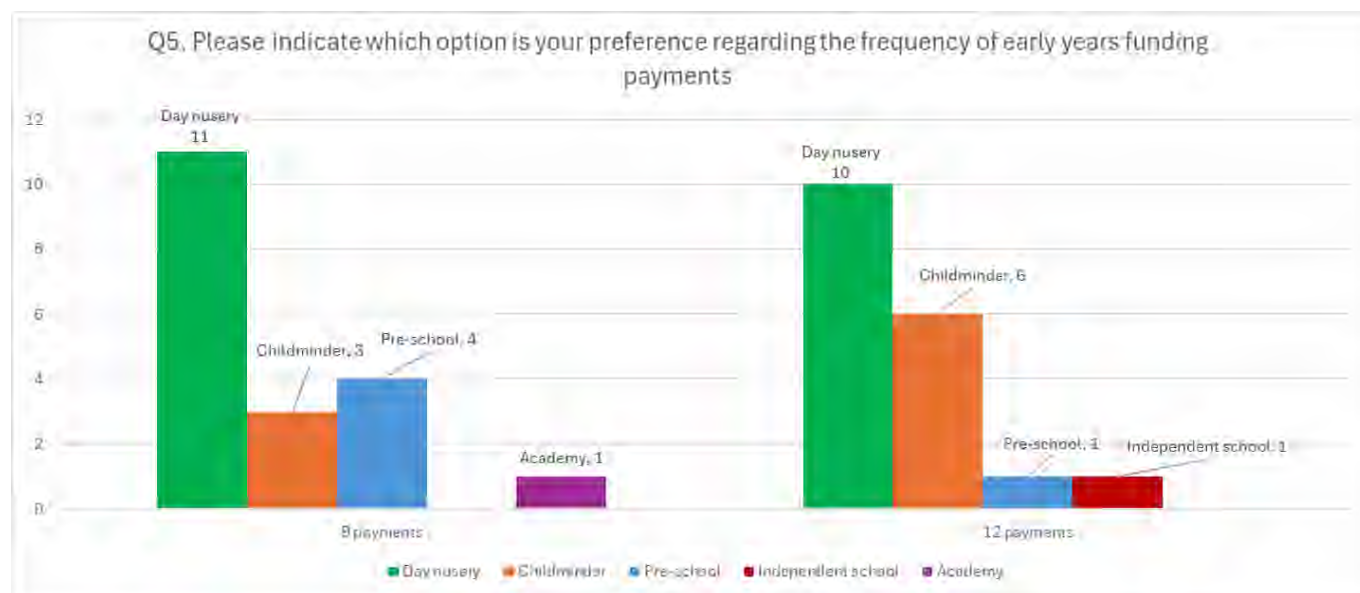


There is not a clear majority for either of the options proposed regarding the frequency of payments. Day nurseries provide the most early years funded places however only 21 out of 104 funded day nurseries responded to the consultation, with 11 preferring the current system of 9 payments a year and 10 preferring a monthly payment system.

Anecdotal feedback throughout 2024 suggested that childminders in particular that are in receipt of Universal Credit would prefer a monthly payment system, and the chart below does

evidence this to some degree although only 9 out of 141 funded childminders responded to the consultation.

Figure 9: Bar chart showing the response to question 5 analysed by provider type



## Childminder focus group

To better understand the perspective of childminders, 12 were invited to a small focus group held on the evening of 22 January 2025, the majority of these (10) had not completed the consultation. 2 childminders who were unable to attend did provide feedback that they preferred the current system, found it fair and that it helped them to budget.

7 childminders attended the focus session (some were or had been in receipt of Universal Credit). 2 of the childminders stated they only had funded children and the rest had both funded and fee-paying children.

A typical model for childminders of the payment amounts that would be received for each option was shown. Some had not understood that the monthly payment option would not be an even payment amount for each month in the year. However this did not change the view of childminders who were in favour of monthly payments.

The childminders who prefer the current system of 9 payments acknowledged that childminders in receipt of universal credit could face difficulties however they were concerned about the financial implications of waiting longer to receive all their funding on a monthly payment system.

Table 9: Responses to question 5 from the childminder focus group

	9 Payments a year	12 Payments a year
Number of childminders that attended the focus group expressing preference	5	2
Number of childminders that could not attend the focus group expressing preference	2	0

## Summary from the focus group

The discussions at the focus group reinforced that there are strong and valid reasons for both options and the impact on childminders who would not have the payment frequency they prefer would be significant. Most of the group thought that further consultation with the majority of funded childminders (ideally all) was needed to ensure every childminder understands the impact for them.

## Overall summary

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Advantages and disadvantages of each option were clearly outlined in the consultation document and during the briefings. The rationale being to raise the potential issues with each system so that providers could make an informed preference as it is not possible to operate two different payment systems in terms of frequency.

It is thought that when the free entitlements extend to 30 hours for 2-year-olds and under from September 2025, a large number of providers will receive up to 80% of their income through the local authority hence it is important to ensure the payment system is right for all providers.

There is no clear majority between the two proposed options, however there was a low response rate to the consultation and when we have spoken to providers during the briefings and focus group it became clear that there was a mixed understanding of the monthly payment option.

Given the significant impact on provider cashflow it is felt that further work is required before a final decision can be made. This will include further engagement with providers and research into other options including those operated by other local authorities.

There is time to undertake this work as implementation of a change would not have taken place until September 2025 at the very earliest.

## Final proposals

Taking account of the provider survey and the analysis contained in the report the final proposals are:

1. Increase the amount retained centrally by £275,652. £30,000 to further support administration and distribution of the early years funding as the free entitlement continues to expand. £200,000 for inclusion support that the council can no longer afford to pay for from its core budget and £45,652 for inflation at 4%.
2. Retain a contingency fund of 0.8% from each funding stream. Funds will be paid to providers and not used for any other purpose.
3. Transfer £500,000 from the Early Years Block to the High Needs Block in 2025-26 to support financial sustainability as per the Safety Valve Agreement with the Department for Education.
4. SENDIF budget is set at £3 million, which includes a £2 million contribution from the Early Years Block in addition to the £1 million contribution already agreed from the High Needs Block.
5. To undertake further engagement with providers and research into payment systems operated by other local authorities before any decisions are made regarding the frequency of payments.

## Decisions

On 21 January 2025, the Council Cabinet delegated authority to the Strategic Director for Children's Services in consultation with the Portfolio Holder for Children's Services and Portfolio Holder for Education and Communities, to take account of the outcomes of the provider consultation, the views of the Early Years and Childcare Reference Group and Schools Forum and make a final decision on the Early Years local funding formula 2025-26 and value of the Special Education Needs and Disability Inclusion Fund (SENDIF).

The Early Years and Childcare Reference Group (which includes provider representation for childminders, pre-schools, day nurseries, out of school provision, primary schools and academies) met on 27 January 2025 to consider the above final proposals, the group agreed unanimously with the proposals.

Schools Forum met on 7 February 2025; all forum members were supportive of the final proposals.

## Linked papers

[Consultation on the Kirklees Early Years Funding Formula 2025-26.](#)