

# Update on under 2s funding allocations for 2024-25

## Summary

- To support the delivery of the new entitlements, we confirmed to LAs on 11 January **that we will increase our funding to LAs by 4 weeks to enable them to fund 26 weeks provision in 2024-25 for under 2s and EYPP for under 2s**, based on the hourly rates we published on 29 November.
- This will ensure providers can offer a pattern of weeks to parents over the course of the full year that works best for parents.

## Background

Last July, we consulted on the basis that for the under 2s entitlement, children would be funded for 22 weeks of the financial year 2024-25 to reflect the September start of this entitlement, i.e. to cover the September 2024 to March 2025 period, which equates to 22 weeks. This is in line with our usual approach to early years funding allocations.

We had taken this approach in both the [step-by-step tables](#) that accompanied the funding rates announcement on 29 November 2023, and in the indicative allocations set out in the [early years block of the DSG tables](#) that were published on 19 December 2023.

However, following feedback and further discussions with local authorities after these announcements, we are amending our approach.

## January update

To ensure that LAs are fully supported in delivering the new entitlements, DfE will be increasing the allocations for 2024-25 to **enable authorities to fund 26 weeks** provision in 2024-25 for under 2s and EYPP for under 2s, based on the hourly rates we published on 29 November. This means we will be funding local authorities for an **extra 4 weeks** than we would normally have funded within a financial year. The 2024 to 2025 hourly funding rates DfE published on 29 November will remain the same.

We have engaged with local authorities to understand their planned delivery of entitlement hours across the autumn and spring terms. We need to treat all LAs fairly, and based on our engagement, we are providing all LAs with funding for 26 weeks, which will help LAs manage additional weeks of provision and to ensure as much funding as possible can be passed on by local authorities to providers.

We currently estimate that this will cost £120 million, but the Department will fund however much it ultimately costs for LAs to provide those additional 4 weeks, based on final take up of the under 2s entitlement. This is additional funding, over and above what was announced on 29 November 2023.

## Next steps

We will be updating indicative early years DSG allocations shortly, ahead of the first DSG payment for 2024-25 in April 2024, and will reflect the increase in the number of funded weeks in that publication.

Local authorities are responsible for setting individual provider funding rates in consultation with their providers and schools forum, and fund providers using their local funding formula. As part of this process, it is up to local authorities to determine the pattern of provision they offer across the year. This increase will give local authorities the confidence that they will receive funding for the weeks they plan to deliver for the under 2s entitlement, reducing the need for them to hold excessive contingency funds.

We know that work is well underway to enable local authorities to inform providers of their final 2024-25 rates and that a number of LAs have already got their consultations underway. We encourage local authorities to complete this process as far ahead of the 31 March deadline as possible, to give providers sufficient time for business planning.