



Department
for Education

2024 to 2025 Early Years Funding

2024 to 2025 Early Years Assurance Programme Findings

April 2026

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1. Introduction

- 1.1 This report provides an overview of the key findings from the Department for Education's (DfE's) 2024 to 2025 assurance review work on Dedicated School Grant Early Years (EY) funding.
- 1.2 In 2024-25 there was a significant expansion of the early years programme, which meant that from September 2024, eligible working parents of children aged 9 months to 2 years old were able to access 15 hours of funded childcare (increasing to 30 hours from September 2025), in addition to the pre-existing 30 hours for eligible working parents of 3- and 4-year-olds. This significantly increased DfE early years funding paid to local authorities (LAs).
- 1.3 The increased level of funding presented an inherent risk to the DfE of ensuring entitlements funding was being used for the purposes intended. To address this risk, DfE enhanced its 2024-25 assurance approach and carried out an additional programme of assurance activity which included:
 - a high-level review of LAs' internal control arrangements in relation to their early years systems and processes, and
 - funding audits at a sample of academy trust and Private Voluntary and Independent (PVI) early years providers (in liaison with a number of local authorities).

2. Summary of findings

- 2.1 Generally, LAs' arrangements for the oversight of early years providers were found to be reasonable. Most LAs have systems, which automatically check the eligibility of codes directly with DfE's Eligibility Checking System (ECS). However, not all LAs audit providers to ensure that they keep parental agreements up-to-date and maintain appropriate attendance records. Of those LAs that perform audits, almost 70% audit no more than 10% of providers.
- 2.2 Our review confirmed that all children tested were entitled to funding. However, we identified a significant number of instances where providers' recordkeeping was poor, with incomplete and / or inaccurate parental agreements and / or attendance records.
- 2.3 Consequently, it's very important that LAs ensure providers keep parental agreements up-to-date and maintain at least basic records of children's attendance.

3. Objectives

3.1 The main objective of the assurance work was to consider:

- 1) the oversight and control arrangements LAs have to ensure early years funding is used for the purposes intended.
- 2) whether the grant funding paid to LAs for early years childcare was based upon complete and accurate data, as recorded in the school and early years census and other data returns.

4. High level review of LA control arrangements

Approach

4.1 There were 2 stages to our review of LAs' control arrangements for the oversight of early years activity. Firstly, we selected a random sample of LAs and, using a series of standard questions, asked them to describe their processes and controls for managing early years activity. This information was then used to develop a summarised questionnaire which was sent to all remaining LAs (the second stage of the review).

4.2 At both stages the questions were designed to cover 5 key areas of control:

- funding is only paid to providers for eligible childcare (i.e. the parents are entitled to the funding for the child)
- funding is only paid to providers for eligible activity (i.e. childcare is provided (the entitlement is used))
- the LA data returns made to DfE, which generate the funding allocations are materially correct
- there is an appropriate level of monitoring and oversight by the LA
- fraud and error identified is appropriately reported and recovered.

Findings

4.3 We received responses from 151 of 153 LAs (99%) (from the stage 1 and 2 reviews).

4.4 We received 144 responses to the questionnaire, including from 12 LAs that had been involved in the initial (stage 1) discussions. The findings below are based upon the 144 questionnaire responses (a summary of the questionnaire responses is included at Annex A).

- 4.5 In all cases LAs confirmed they had controls in place to check the eligibility of children and were meeting the minimum requirement of checking child eligibility at least 6 times a year.
- 4.6 In 140 cases (97%), the LA's own early years management systems automatically checked the eligibility of codes directly with DfE's Eligibility Checking System (ECS). In all other cases, LAs carried out manual eligibility checks (this is considered to be not as strong as the automated checks).

Checking for duplicate claims

- 4.7 In 140 cases (97%), LAs confirmed that they checked for duplicate children within their own LA system, and 114 (79%) confirmed they carried out some form of cross boundary check for duplicate claims. From our discussions with LAs, we recognise this can be a complex area, particularly in cases where LAs border a number of different authorities. As part of the early years census process, DfE provides reports detailing duplicate children. LAs are encouraged to run these reports and adjust for any duplicates before the census closes.

Provider audits

- 4.8 The area of greatest variation was the audit of providers, where we categorised responses, between LAs carrying out no provider audits, less than 10% of providers and greater than 10% of providers. 119 LAs (83%) confirmed they carried out some level of audit, and of these, 81 (68%) estimated the level of audit to be in the range of 0-10% of providers.
- 4.9 Where audits were carried out, LAs confirmed that, in most cases, the audit process included checking records of child attendance, including the number of hours. In all cases, LAs confirmed there were follow-up arrangements, where errors in the amounts claimed were identified. As a minimum requirement we would recommend some level of provider audit, which could be a visit or desk based.

Internal audit of LA early years' arrangements

- 4.10 In terms of LA level oversight, 98 (68%) of LAs confirmed that the early years programme was subject to review by the LA's internal audit function. With the increasing value of early years funding, it will be important for this funding to be considered as part of the Council's internal audit planning and risk assessment.

Early years fraud

- 4.11 Ten LAs (7%) had identified an early years fraud within the last 12 months. Of the LAs that had identified a fraud, in most cases these had been escalated further within the LA. Fifty percent of LAs confirmed that any fraud identified would be reported to the DfE using the S151 DSG return. This is reflected in the DfE Assurance Team's recent annual reviews of DSG returns - historically amounts reported have related to the schools DSG budget rather than the early years DSG budget.

5. Early years funding audits

- 5.1 We carried out two programmes of funding audits: a statistical sample of randomly selected academy schools (covering 635 children) and a smaller sample of PVI providers (covering 180 children).
- 5.2 The main objective of this work was to check that the data recorded in the early years census and other data returns submitted to the DfE had been accurately recorded and was consistent with the underlying records held by the early year's providers. To do this, we confirmed the child's eligibility with reference to the DfE ECS and the child's attendance pattern, with reference to parental agreements and early years providers' attendance records.

Findings

- 5.3 We are pleased to report that our testing of child eligibility (i.e. whether they were eligible for the entitlement) with reference to the ECS system, did not identify any errors.
- 5.4 However, we did identify errors where the entries in the census return appeared inconsistent with the providers' records, both in terms of the details recorded in the parental agreements and the daily attendance records. The types of errors and inconsistencies identified which could lead to potential funding errors included:
- Hours being privately funded yet still recorded on the census.
 - Insufficient evidence to confirm attendance at the census date. In our review we considered the attendance records for a 3-week period around the census date.
 - The provider was unable to provide a copy of the parental agreement.
 - The parental agreement was incomplete, missing child start dates, parent and/or provider signatures.
 - Updates made to parental agreements were unclear when the changes

had been made and the period to which the changes related.

- The child's planned weekly pattern of attendance was not fully documented on the parental agreement. Missing details included:
 - the split of hours across the different funding entitlements
 - the number of weeks (whether the provider was applying 'stretched' hours)
 - the split between LA and parental funded hours (where appropriate)

5.5 Other issues which would not necessarily lead to funding errors but would improve the quality of data included:

- The parental agreement failed to record other early years' provision the child was receiving.
- The parental agreement did not provide details of the parent/child eligibility evidence.

6. Next steps

6.1 The further expansion of the government's early years programme in September 2025 and consequent increase funding to (circa £8.7bn per annum) means that our assurance work on early years funding will continue in our 2025-26 programme and beyond. This work will include audits of both school and PVI providers over the next six months.

Annex A: LA early years control arrangements – survey results

We set out below the results of our survey of LA control arrangements for early years activity, based upon the 144 questionnaire responses.

Is funding only paid for eligible children?

Question	Yes	No	No response
Does your early years system (for recording and monitoring early years activity) have an automatic link to the ECS system, to check the eligibility of codes?	140	3	1
Does your early years system automatically stop claims where the learner code is ineligible?	136	5	3
Do you carry out any cross-border checks for duplicate claims?	114	27	3
Do you carry out checks for duplicate claims within the local authority?	140	1	3

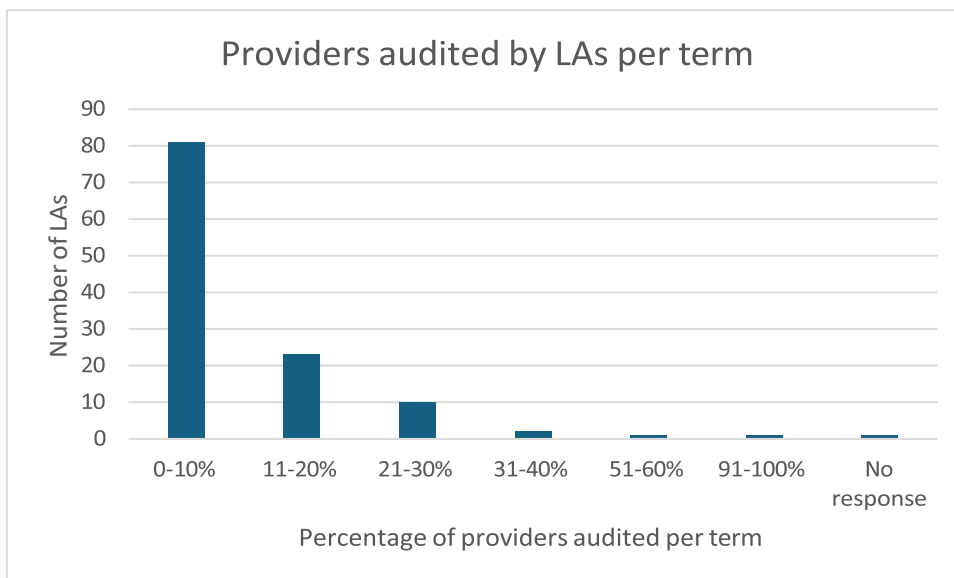
Is funding only paid for eligible activity?

Question	Yes	No	No response
Do you monitor and follow up any provider that has an 'inadequate' or 'requires improvement' OFSTED assessment?	143	1	0

What are your monitoring and oversight arrangements?

Question	Yes	No	No response
Do you carry out any audits (desk-based or visits) of providers? e.g. checking attendance / registers are consistent with provider claims / data returns to the local authority	119	22	3
Does the audit include checking the child's attendance?	115	4	0
Does the audit include checking the number of hours a child attends?	118	0	1
Are follow-up arrangements where the audit identifies errors in funding claimed?	118	0	1
Is early years subject to review by internal audit?	98	43	3

What percentage of your early years' providers do you audit each term?



Reporting fraud

Question	Yes	No	No response
Have you identified any early years' fraud in the last 12 months?	10	125	9
Was the fraud escalated in your local authority?	9	1	0
Do you use the DSG S151 return to report early years fraud?	72	57	15



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