



## NORTH YORKSHIRE SCHOOLS FORUM

<b>Date of meeting:</b>	Thursday 18 September 2025
<b>Title of report:</b>	<b>Early Years Funding Update</b>
<b>Type of report:</b> Delete as required	For information.
<b>Executive summary:</b> Including reason for submission	<p>This report considers the following areas:</p> <ul style="list-style-type: none"> <li>• Details of early years funding developments to be implemented by the Government for the 2026-27 financial year.</li> <li>• Notification of a principle-based consultation to be undertaken on the funding rates to be paid to early years' providers for the funded early years entitlement for disadvantaged 2-year-olds, the working parent entitlement for under 2-year-olds, 2-year-olds, and 3 &amp; 4-year-olds and the universal entitlement for 3 &amp; 4-year-olds for the 2026/27 financial year.</li> <li>• The Early Years Dedicated Schools Grant (DSG) reserves position.</li> </ul>
<b>Budget / Risk implications:</b>	<p>The levels of funding delivered by the Early Years National Funding Formula via the Early Years DSG impact on the sustainability of providers of early years education and childcare and on the Council's ability to ensure sufficient places are available for families in line with statutory duties. The funding 'pass through' requirements impact on the services provided by the council.</p>
<b>Recommendations:</b>	<p>The North Yorkshire Schools Forum is asked:</p> <ul style="list-style-type: none"> <li>• To note early years funding developments to be implemented by the Government for the 2026-27 financial year.</li> <li>• To note the principle-based funding consultation to be undertaken with early years' providers within North Yorkshire. on the funding rates to be paid to early years' providers for the funded early years entitlement for disadvantaged 2-year-olds, the working parent entitlement for under 2-year-olds, 2-year-olds, and 3 &amp; 4-year-olds and the universal entitlement for 3 &amp; 4-year-olds for the 2026/27 financial year.</li> <li>• To note the Early Years DSG reserves position</li> </ul>
<b>Voting Requirements</b>	N/A
<b>Appendices:</b>	N/A

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## 1.0 PURPOSE OF THE REPORT

### 1.1 This report considers the following areas:

- The early years funding developments to be implemented by the Government for the 2026-27 financial year.
- Notification of a principle-based consultation to be undertaken on the funding rates to be paid to early years' providers for the funded early education and childcare entitlement for disadvantaged 2-year-olds, the working parent entitlement for under 2-year-olds, 2-year-olds, and 3 & 4-year-olds and the universal entitlement for 3 & 4-year-olds for the 2026-27 financial year.
- The Early Years Block Dedicated School Grant (DSG) reserves position.

## 2.0 BACKGROUND

2.1 In the Spring 2023 Budget, Government announced the significant expansion of funded early years provision for working families, with 15 hours of funded provision being offered to the working parents of 2-year-olds from April 2024, 15 hours of funded provision being offered to the working parents of 9-month-olds from September 2024, and 30 hours funded provision for the working parents of 9-month-olds from September 2025. The 2026-27 financial year will provide the first full year of the operation of the expanded entitlements for working parents.

2.2 The DfE have confirmed the key changes to the local early years funding rules for the 2026-27 financial year ahead of the publication of the local authority rates in autumn 2025. The key changes relate to:

- The minimum pass-through requirement in respect of the level of the local authority early years' DSG funding paid to providers will increase from 96% in 2025-26 to 97% in 2026-27. The 97% includes the following for each of the entitlements separately:
  - base rate funding for all providers
  - supplements for all providers
  - lump sum funding for Maintained Nursery Schools (MNS) (only applicable to 3 and 4-year-olds, and excluding any funding from DfE's MNS supplementary allocation)
  - the funding paid directly to providers from the special educational needs Inclusion fund (SENIF)
  - contingency funding

The current pass-through rate for North Yorkshire Council is 97%. In this respect, the local authority is already complying with the DfE requirement for the 2026-27 financial year.

- The Schools and Early Years Finance (England) Regulations will be updated for the 2026-27 financial year to reflect the **28 February** being the new statutory deadline for local authorities to confirm local funding rates to providers. The DfE stated this expectation for the 2025-26 financial year but there was not a statutory requirement to meet this deadline.
- The funding for all early years' entitlements will be based on termly headcounts. For the 2025-26 financial year, the funding for the working parent entitlements related to two-year-olds and under two-year-olds is based on termly headcounts; the funding

for three & four-year-olds and disadvantaged two-year-olds is based on five twelfths of the January 2025 and seven twelfths of the January 2026 headcounts.

- 2.4 The Government's strategy "Giving every child the best start in life" published 7 July 2025 outlines their intention to review early years funding, including national funding formulae, and consult the sector on changes by Summer 2026. The strategy also outlines intended actions in respect of the promotion of inclusion within early years; it is indicated that more detail on the Government's approach to SEND reform will be set out in a Schools White Paper this autumn
- 2.5 Following a principle-based consultation with early years providers within North Yorkshire, the local authority implemented a number of changes to the early years funding formula and rates for the 2025/26 financial year, as detailed below:

- The base provider funding rate for 3 & 4-year-olds (both universal and working family entitlement) is £5.36 per hour.
- The base provider funding rate for 2-year-olds (both disadvantaged and working family entitlement) is £7.30 per hour.
- The based provider funding rate for under 2-year-olds (working family entitlement) is £9.91 per hour.
- A continuation of the deprivation funding methodology for all early years funded entitlements based on the IMD score of a child's home address. The deprivation funding rates being as follows:

<b><i>Band</i></b>	<b><i>2025/26 Deprivation Hourly Funding Rate</i></b>	<b><i>IMD Score</i></b>
Band A	54p	>34.17
Band B	7p	>20 <34.17
Band C	4p	>10 <20

- The funding for the SENIF is provided from the Early Years Block DSG
- A 3% funding retention rate for the provision of local authority centrally managed services for early years is applied for all funded entitlements.

### 3.0 2026-27 EARLY YEARS FUNDING CONSULTATION

- 3.1 At this stage, the DfE have indicated that further details in respect of the 2026-27 Early Years DSG funding will be provided in the Autumn 2025 term. The local authority is seeking to ensure that providers receive timely notification of early years funding rates for the 2026-27 financial year and that there is compliance with the requirement to communicate funding rates to the sector by **28<sup>th</sup> February 2026**. In this respect, a principle-based funding consultation will be undertaken with early years providers within North Yorkshire on the following elements of the early years funding entitlements for the 2026-27 financial year:

- The provider base funding rates for 3 & 4-year-old universal and working parent entitlements, the 2-year-old entitlements for disadvantaged children and working parents, the under 2-year-old entitlement for working parents.
- The operation of a deprivation funding supplement for all funded entitlements



- The continued use of the Early Years DSG to fund the provision of the Early Years SENIF.

### 3.2 2026-27 Provider Base Funding Rates

The consultation proposals will be based on a continuation of the principles adopted in respect of the 2025-26 provider base funding rates for the 2026-27 financial year as follows:

- The local authority funding retention rate for the provision of centrally managed service provision for early years is 3% for all funded entitlements.
- The funding from the Early Years SENIF is provided from the Early Years DSG Block (approximately 2% of local authority funding rate for all funded entitlements)

In undertaking a principle-based consultation it is not possible to provide base funding rates for 2026-27 financial year. However, in agreeing the principles to be applied for the calculation of the base funding rates, it will enable an earlier notification of the actual funding rates to be given to providers once confirmation of the local authority 2026-27 early years funding rates has been received from the DfE.

### 3.3 Deprivation Funding Supplement

The DfE place a mandatory requirement on local authorities to include a deprivation funding supplement in their local early years funding formula for 3 & 4-year-olds. The DfE expect local authorities to ensure funding for deprivation is reflected in their approach to funding for all funded entitlements, recognising the additional costs associated with supporting children from disadvantaged backgrounds. The deprivation supplement for children aged two and under is discretionary.

Within North Yorkshire, the deprivation funding supplement is currently paid for all funded entitlements based on the hours attended by the child and a banding using the postcode of the child attending the setting. The methodology used by North Yorkshire is based on the Index of Multiple Deprivation (IMD). The IMD combines information from seven domain indices (which measure different types or dimensions of deprivation) to produce an overall relative measure of deprivation.

It is proposed to continue the current deprivation funding methodology and funding rates for all early years' funded entitlements for the 2026-27 financial year, as follows:

<b><i>Band</i></b>	<b><i>2026/27 Proposed Deprivation Hourly Funding Rate</i></b>	<b><i>IMD Score</i></b>
Band A	54p	>34.17
Band B	7p	>20 <34.17
Band C	4p	>10 <20

### 3.4 Early Years Special Educational Needs Inclusion Fund

The Local Authority is required to provide a Special Educational Needs Inclusion Fund (SENIF) which is intended to support providers in addressing the needs of children with lower or emerging levels of SEND. The SENIF funding covers early years children of all age groups accessing funded entitlements. The DSG funding regulations allow for the early years SENIF to be funded from either the High Needs or the Early Years Blocks of the DSG. In the 2024-25 financial year the funding of the SENIF transferred from the High Needs Block DSG to the Early Years Block DSG; this funding methodology has been used in the 2025-26 financial year. It is proposed to continue this funding arrangement for the 2026-27 financial year, having regard to:

- The on-going significant financial pressures on the High Needs budget within North Yorkshire
- The achievement of parity between the schools and early years sectors in respect of funding the support for the children with lower or emerging levels of SEND. Within the school's sector, the funding for this support is provided through individual school budgets by the Schools Block DSG.

The budget requirement from Early Years Funding for the SENIF for the 2026-27 financial year is currently estimated to continue to equate to approximately 2% of the forecast 2026-27 Early Years allocation for funded entitlements.

### 3.5 The planned timescales for the consultation are as follows:

Date	Process
19/08/2025	Approval obtained from CYPS Executive Members in conjunction with Corporate Director – CYPS to consult early years providers
18/09/2025	Early Years Funding Update report to Schools Forum including details of 2026-27 principle-based early years funding consultation
19/09/2025 – 24/10/2025	Consultation with early years providers on 2026-27 early years funding arrangements
20/11/2025	Consultation feedback considered by Schools Forum
16/12/2025	Outcome of consultation considered by CYPS Executive Members in conjunction with Corporate Director – CYPS
20/01/2026	2026/27 early years funding rates considered by CYPS Executive Members in conjunction with Corporate Director – CYPS

### 4.0 2026-27 OTHER EARLY YEARS FUNDING ELEMENTS & LOCAL AUTHORITY EARLY YEARS DSG FUNDING ARRANGEMENTS

#### 4.1 At this stage, it is anticipated that the following other elements of early years funding will continue to be received for the 2026-27 financial year:

- Early Years Pupil Premium (EYPP)
- Disability Access Funding (DAF)
- Maintained Nursery School Supplementary Funding

- 4.2 The DfE have confirmed that the DfE are moving to funding all of the early years funded entitlement based on termly headcounts. Currently, the final Early Years DSG funding allocation is based on five-twelfths of January, prior to the start of the financial year, early years census numbers + seven-twelfths of January, within the financial year, early years census numbers for 3 & 4-year-olds (universal hours and working parent entitlement), disadvantaged 2-year-old entitlement and the MNS supplementary funding allocation. The final funding allocations for the working parent entitlement for 2-year-olds and under 2-year-olds are based on termly headcount data for summer and autumn, and the January early years census numbers. To facilitate this change, the DfE are moving from an annual to a termly early years census for the 2026-27 financial year. Whilst the move to a termly funding model for all funded entitlements should deliver an overall cost neutral position, it is anticipated that the change will result in some funding reduction for the local authority and a greater funding sensitivity to the forecast declining birth rate within North Yorkshire.
- 4.3 Based on this methodology, the DfE will determine the number of funded weeks within each term. In order to ensure that the overall funding to early years providers is contained within the Early Years DSG funding envelope, the local authority will be required to adopt the number of funded weeks determined by the DfE for each term in its local funding methodology. The DfE termly funded weeks for the 2025/26 financial are 13 weeks for the summer 2025 term, 14 weeks for the autumn 2025 term and 11 weeks for the spring 2026 term.

## 5.0 CENTRALLY MANAGED SERVICE PROVISION RELATED TO EARLY YEARS

- 5.1 As previously stated, the early years funding regulations for 2026/27 will allow the local authorities to retain no more than 3% of the funded entitlements Early Years DSG funding allocation for early years centrally managed service provision. As the funding allocation will vary dependent on demand for the provision of funded childcare, the centrally managed service budget which can be retained can be subject to fluctuations.
- 5.2 North Yorkshire Council moved to a model of the retention of 3% of the funded entitlements Early Years DSG funding for the provision of centrally managed early years services in the 2024-25 financial year. In respect of the 2026-27 financial year, the local authority is proposing a continuation of this model. This proposal has regard to:
- Seeking to ensure provider base rate funding is maximised as far as possible.
  - The intention to continue to fund the early years SENIF from the Early Years DSG for the 2026-27 financial year.
  - The additional local authority service support and assurance measures required in response to the increase in the number of early years children taking up funded provision and the associated increase in the overall level of the Early Years DSG funding quantum received by the local authority.

## 6.0 2024-25 EARLY YEARS DSG OUTTURN POSITION

- 6.1 The Early Years Block DSG General Reserve was £5.3m as at 31 March 2025. There were also additional earmarked reserves of £388k for Disability Access Funding and £183k for the Early Years SENIF. At this stage, whilst the local authority recognises the relatively high level of the Early Years reserve, consideration needs to be given to:



- The impact of the full roll out of the expansion of early years funded entitlements for the younger children will not be fully known until the end of the 2026-27 financial year, including the funding requirements on the SENIF.
- The impact of the change to termly funding for all funded entitlements will not be fully known until the end of the 2026-27 financial year.
- Potential changes to the Early Years National Funding Formula for the 2027-28 financial year
- Potential SEND reforms for the early years sector.

The availability of the early years reserve provides the opportunity for the consideration of options to locally support and provide funding stability for the early years sector within North Yorkshire when the funding impact is known of the national developments planned for the 2026-27 and 2027-28 financial years. The Schools Forum will be updated on these developments and options for the utilisation of the Early Years Block DSG in providing additional financial support to the early years sector with North Yorkshire.

## 7.0 RECOMMENDATIONS

### 7.1 The North Yorkshire Schools Forum is asked:

- i. To note early years funding developments to be implemented by the Government for the 2026-27 financial year.
- ii. To note the principle-based funding consultation to be undertaken with early years' providers within North Yorkshire on the funding rates to be paid to early years' providers for the funded early years entitlement for disadvantaged 2-year-olds, the working parent entitlement for under 2-year-olds, 2-year-olds, and 3 & 4-year-olds and the universal entitlement for 3 & 4-year-olds for the 2025/26 financial year.
- iii. To note the Early Years DSG reserves position

SIR STUART CARLTON

Corporate Director – Children and Young People's Service