NORTH YORKSHIRE COUNCIL

NORTH YORKSHIRE SCHOOLS FORUM

Date of meeting:	Thursday 19 November 2026
Title of report:	**Early Years Funding Update**
Type of report: Delete as required	For information.
Executive summary: Including reason for submission	This report considers the results and feedback received from the principle-based consultation undertaken on the funding rates to be paid to early years' providers for the funded early years entitlement for early learning 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 2027-28 financial year.
Budget / Risk implications:	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.
Recommendations:	The North Yorkshire Schools Forum is asked: • To note the current position in respect of information received from the DfE on early years funding for the 2027-28 financial year. • To note the results from the principle-based funding consultation 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 early learning 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 2027-28 financial year.
Voting Requirements	N/A
Appendices:	Appendix 1 – 2027-28 Early Years Funding Consultation – Provider Comments
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OFFICIAL - SENSITIVE

1.0 PURPOSE OF THE REPORT

1.1. This report considers the results of a principle-based consultation undertaken on the funding rates to be paid to early years' providers for the funded early education and childcare entitlement for early learning 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 2027-28 financial year.

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 upwards from September 2025. The current 2026-27 financial year is the first full year of the operation of the expanded entitlements for working parents.

2.2 At this stage, the DfE have not published any details in respect of the early years funding arrangements for the 2027-28 financial year. However, the DfE have published a national consultation on proposed changes to the early years funding entitlements over the next three financial years (Early year funding proposed changes to the entitlements funding system consultation). The national consultation ran from 6 July 2026 to 14 September 2026; the DfE have stated that their response to the consultation will be published in Autumn 2026. The DfE invited views on the following proposed funding changes for the 2027-28 financial year:

- A recommendation that local authorities spend a minimum of 0.75% of their early years block funding on Special Education Needs Inclusion Funds (SENIF)
- The requirement for local authorities to pass on more of their Early Learning 2-year-old funding rate to providers to support disadvantaged children and their families
- The addition of Income Deprivation Affecting Children Index (IDACI) data to the deprivation factor of the 3-and 4-year-old formula.
- Allowing local authorities to redistribute unused contingency funding to providers

2.3 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 2026-27 financial year, as detailed below:

- The base provider funding rate for 3 & 4-year-olds (both universal and working family entitlement) is £5.84 per hour.
- The base provider funding rate for 2-year-olds (both disadvantaged and working family entitlement) is £7.66 per hour.
- The based provider funding rate for under 2-year-olds (working family entitlement) is £10.41 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:

Band	*2026-27 Deprivation Hourly Funding Rate*	*IMD Score*
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; this provision equates to approximately 2% (£2.01m) of the 2026-27 Early Years allocation for funded entitlements.
- 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 2027-28 EARLY YEARS FUNDING CONSULTATION

3.1 The local authority is seeking to ensure that providers receive timely notification of early years funding rates for the 2027-28 financial year within the DfE statutory timescale. In this respect, a principle-based funding consultation has been undertaken with early years providers within North Yorkshire on the following elements of the early years funding entitlements for the 2027-28 financial year:

3.2 2027-28 Provider Base Funding Rates

The consultation proposals for the 2027-28 financial year will have regard to the principles adopted in respect of the 2026-27 provider base funding rates and the proposals contained within the DfE Early years funding consultation on proposed changes to the entitlements funding system for the 2027-28 financial year as follows:

- The local authority retention rate from the funded entitlements for the provision of centrally managed service provision for early years is 3% or the maximum retention rate percentage allowed by the DfE for an individual age range funded entitlement.
- 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)
- The allocation of £0.02 per hour of provider funding to a contingency fund.

In undertaking a principle-based consultation it is not possible to provide base funding rates for 2027-28 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 2027-28 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 2027-28 financial year, as follows:

Band	2027-28 Proposed Deprivation Hourly Funding Rate	IMD Score
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. From the 2024-25 financial year onwards, the funding of the SENIF has been from the Early Years Block DSG; this approach has 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 2027-28 financial year is currently estimated to continue to equate to approximately 2% of the forecast 2027-28 early years allocation for funded entitlements.

3.5 Early Years Contingency Fund

The DfE early years funding regulations allow local authorities to set aside contingency funding as part of their local budget setting process to help manage fluctuations in take up of the entitlements. Contingency is viewed as a tool for local authorities in managing their volumes/ budgets throughout the year, playing a key role in local flexibility and

responsiveness. Given that the DfE funding regulations have mandated that the early years DSG reserve has been required to be utilised to support the overall DSG deficit for the 2025-26 financial year, the local authority now considers it prudent to allocate a small funding contingency for the 2027-28 financial year. The purpose of the contingency fund is to support costs related to funding eligible termly after-headcount claims and any additional funding requirements associated with provider funding. The proposed contingency allocation is £0.02 per hour for all of the funded entitlements. This would equate to a contingency fund of £257k based on the 2026-27 forecast early years entitlement hours (0.25% of the overall forecast early years DSG funding allocation) The contingency fund can only be used to support payments to early years providers and is included within the 97% funding pass-through requirement. The early years funding regulations do not allow contingency funding to be utilised for local authority service provision. The proposed change by the DfE to the early years funding regulations for the 2027-28 financial year will allow any unused balance on the contingency fund to be reimbursed back to early years providers at the end of the financial year. The local authority would seek to reimburse any unused funding balance on the proposed contingency fund at the end of the financial year back to the sector based on the funded entitlement hours claimed during the financial year by a provider. Consideration may need to be required to applying a de minimis level for the reimbursement amount paid to an individual provider; this would be dependent on the level of any unused funding balance.

3.6 The 2027-28 Early Years Funding consultation was undertaken between 25 September 2026 and 23 October 2026.

3.7 107 responses were received to the consultation, as shown below.

LA Maintained Nursery School	0
LA Maintained Schools and Academies	14
Independent Schools	0
Full Day Care	28
Sessional Care	21
Childminders	44
Total	**107**

(Response rate: 18.0% of funded early years' providers)

(4 responses did not state a provider name, 2 duplicate responses were provided, and 2 responses were received from establishments not delivering funded early years provision; these responses have been excluded from the results analysis)

3.8 Providers were asked to indicate their agreement to a number of proposed funding changes. The consultation results are detailed in the table below:

Proposal: provider base rate funding for the 2027-28 financial year to reflect:

- **local authority retention of approx. 3% or the maximum retention percentage of the early years funding allocation allowed by the DfE for the individual entitlement to support the delivery of central services related to early years' provision that are provided by the local authority free at the point of delivery.**
- **the provision of the Early Years Special Educational Needs Inclusion Fund (SENIF) (approximately 2% of the funding) to support providers in addressing the needs of children with lower or emerging levels of Special Educational Needs (SEND) across all the funded entitlements.**
- **the continued use of the current eligibility criteria and funding rates for the deprivation supplement. The funding supplement is based on the hours attended by the child and a banding using the postcode of the child attending the setting.**
- **the establishment of a contingency fund with contributions equating to £0.02 per hour; any unused funding will be redistributed to providers at the end of the financial year.**

	In Agreement with Funding Proposals (No. Responses)			Total Responses
	Yes	No	No Response Provided	
2027-28 3- & 4-year-old base funding rate	82	24	1	107
2027-28 base funding rate for early learning 2-year-olds and 2-year-olds of working parents	84	22	1	107
2027-28 base funding rate for under 2-year-olds of working parents	86	20	1	107

Appendix 1 to this report provides details of the comments received from early years' providers to the consultation questions.

3.9 Based on the consultation responses received from early years' providers, the proposed funding principles will be applied in the calculation of the 2027-28 early years base provider funding rates. The proposed 2027-28 early years funding rates will be presented to CYPS Executive Members for approval, in conjunction with the Corporate Director – Children & Young People's Service, in January 2027.

4.0 RECOMMENDATIONS

4.1 The North Yorkshire Schools Forum is asked:

i. To note the current position in respect of information received from the DfE on early years funding for the 2027-28 financial year.

ii. To note the results from the principle-based funding consultation 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 early learning 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 2027-28 financial year.

EL MAYHEW

Corporate Director – Children and Young People's Service

Appendix 1

North Yorkshire Council
2027-28 Early Years Funding Consultation – Provider Comments

Question 1

2027-28 Early Years Provider Base Funding Rates

a. Do you agree with the principle-based proposal for the provider base rate funding for eligible 3 & 4-year olds' universal and working parent entitlement for the 2027-28 financial year

Provider Type	Comment
Childminder	The rate is far too low, it should be circa £7 an hour. So many settings will no accept 3yr olds due to the low rate.
Childminder	I do not agree with the level of funding for the age groups 2-3 and 3-4. This is below my hourly rate for my childcare provision
Childminder	Childminding rates for 3 and 4 year olds make it impossible to run a business and offer that continued care with oyr small ratios
Childminder	Funding should not be less for this age range.
Childminder	Think the charge should be the same for all children
Full Day Care	I do not agree with the first proposal. Providers are stretched enough financially without having 3% retained for services that should be provided anyway. Why should this come from the funding allocation?
Childminder	It could always be higher to reflect our professionalism in Early Years. £6.20 to educate and safeguard a child compared to £15 an hour that is the minimum a cleaner or dog walker can demand !!!! It's not a fair payment to us.
Childminder	I support funding being available for SEND and inclusion, particularly for children with emerging needs who may require additional support before a formal diagnosis is in place. However, I feel it is important that the maximum possible funding reaches providers directly. Childminders are facing increasing costs while delivering funded places, and the base hourly rate needs to realistically reflect the cost of providing high-quality childcare. I would also like any contingency funding that is not required to be redistributed to providers promptly and transparently.
Sessional Care	I do however feel that the funding rates ae shocking and need to really go up as they are so low i am not suprised why so many settings are closing.
Sessional Care	As a charitable setting who do not charge families any extra, it would be better to be paid at least half of the hourly rate of the National Living Wage. But I realise the council has other EY commitments to pay for.
Childminder	The extremely low rate given for 3&4 yr olds has deterred me from offering spaces to these as a sole childminder it is lower than my private rate and financially crippling to the survival of my business.
Full Day Care	The Govt requirement is 3% and not approximately 3%.

	Why can the pass through not be included in the rate?
Childminder	I feel like less obvious SEND needs aren't funded in the early years as it takes a long time for diagnosis. This means places like childminders can't access the additional support needed to care for undiagnosed SEND children.
Childminder	I do agree with 2% for SEN.
Full Day Care	I vehemently disagree with the way deprivation funding is allocated. I do not believe postcode is an accurate way to distinguish deprivation levels and it means that settings that happen to be based closer to Band A postcodes receive significantly higher funding rates. I do not disagree with the development of a contingency fund in principle but that is based on the assumption that it will be used appropriately to assist in the delivery of funded hours and not used up on general administrative costs. I generally am happy with the fair way North Yorkshire Council deliver the funding entitlement and believe they do the best for providers with the limited resources that they have. However, as always this is not enough for small private providers- the sector is clearly being shifted to be dominated by school based settings and the remaining private sector is being decimated by large chains. I would like NYCC to stand up for the sector and fight for smaller providers.
Childminder	As childminders we are told that the funding is each child's individual funding and can only be used under the strictest terms. For the local authority to use funding that is allocated to an individual child to boost other services is hypocritical when we have so many sanctions put on us providers.
Sessional Care	As a small charity-run preschool situated in an area of high deprivation, we welcome continued support for early years providers, particularly regarding SEND and deprivation funding.
Childminder	As a childminder our ratio is smaller than a nursery and schools. Plus its much lower than my usual per hour rate.
Sessional Care	I have selected no simply beacuse there is no imformation about how much money will actually come to our setting. There are no facts or figures. I am was recently on a zoom meeting which also mentioned funding rates may stay the same - or there is chatter funding rates could actually fall. This would have a dramatic and massive detrimental impact on our setting.
Full Day Care	I am concerned that by 3% of funding being held back that providers may struggle with costs and overheads.

b) Do you agree with the principle-based proposal for the provider base rate funding for all eligible 2-year olds' (early learning two-year-old entitlement and two-year-old children of working parents' entitlement) for the 2027-28 financial year

Provider Type	**Comment**
Childminder	I do not agree with the funding rates for the age groups 2-3 and 3-4 as this is below the hourly rate of my childcare provision
Childminder	As a childminder before the finding came in my hourly rate was the same fir all children and I think the funding should be the same
Full Day Care	Same as first proposal. *I do not agree with the first proposal. Providers are stretched enough financially without having 3% retained for*

	services that should be provided anyway. Why should this come from the funding allocation?
Childminder	I support funding being made available for SEND, inclusion and children experiencing disadvantage. However, I do not agree with approximately 3% of the early years allocation being retained by the local authority when providers are facing significant increases in the cost of delivering funded childcare. As a childminder, I feel there is very limited direct, face-to-face support available from the local authority. Contact and visits are infrequent, and when concerns about practice within the sector are raised, there can be a perception that these are not always adequately addressed. Childminders can work for long periods with very little direct professional contact or support. I would therefore like greater transparency about exactly how the retained funding is spent, what services childminders receive in return, and whether a greater proportion could be passed directly to providers through the hourly funding rate.
Sessional Care	i do however feel the amount of funding we get paid is not enough for any age and im not suprised why so many people are closing due to poor funding rates.
Sessional Care	See previous comments. *As a charitable setting who do not charge families any extra, it would be better to be paid at least half of the hourly rate of the National Living Wage. But I realise the council has other EY commitments to pay for.*
Childminder	I don't think the SEND percentage needs to be that high.
Childminder	I do agree with 2% for SEN.
Full Day Care	As per the last answer. *I vehemently disagree with the way deprivation funding is allocated. I do not believe postcode is an accurate way to distinguish deprivation levels and it means that settings that happen to be based closer to Band A postcodes receive significantly higher funding rates.* *I do not disagree with the development of a contingency fund in principle but that is based on the assumption that it will be used appropriately to assist in the delivery of funded hours and not used up on general administrative costs. I generally am happy with the fair way North Yorkshire Council deliver the funding entitlement and believe they do the best for providers with the limited resources that they have. However, as always this is not enough for small private providers- the sector is clearly being shifted to be dominated by school based settings and the remaining private sector is being decimated by large chains. I would like NYCC to stand up for the sector and fight for smaller providers.*
Childminder	I disagree with the first two bullet points for the same reasons as previously stated. *As childminders we are told that the funding is each child's individual funding and can only be used under the strictest terms. For the local authority to use funding that is allocated to an individual child to boost other services is hypocritical when we have so many sanctions put on us providers.*
Sessional Care	Although our preschool currently provides care for children aged 2 to 5, we fully support the importance of early SEND identification and additional funding for children from disadvantaged backgrounds.

	We would welcome continued investment to ensure that all early years providers, regardless of size, have the resources and staffing needed to support children's individual needs from the earliest possible age.
Sessional Care	I am unable to state whether I agree or disagree with the proposals as no indicative funding rates, worked examples, or financial impact assessments have been provided. Without this information it is not possible to evaluate the likely impact on our setting's sustainability, staffing, or ability to deliver high-quality provision.

c) Do you agree with the principle-based proposal for the provider base rate funding for eligible children aged 9 months to 2-year-olds for the 2027-28 financial year

Provider Type	**Comment**
Full Day Care	Same as first proposal. *I do not agree with the first proposal. Providers are stretched enough financially without having 3% retained for services that should be provided anyway. Why should this come from the funding allocation?*
Childminder	believe as much funding as possible should be passed directly to providers. As small businesses, we are already facing continually rising costs while having to fund much of our essential training ourselves, such as first aid, safeguarding and food hygiene. Any money retained by the Local Authority should be clearly accounted for and provide meaningful, accessible support and training to early years providers.
Sessional Care	We do not take under 2s so cannot express an informed opinion
Childminder	I don't think children are recognised as SEND at this age very often.
Childminder	I do agree with 2% for SEN.
Full Day Care	As per the last answer. *I vehemently disagree with the way deprivation funding is allocated. I do not believe postcode is an accurate way to distinguish deprivation levels and it means that settings that happen to be based closer to Band A postcodes receive significantly higher funding rates.* *I do not disagree with the development of a contingency fund in principle but that is based on the assumption that it will be used appropriately to assist in the delivery of funded hours and not used up on general administrative costs. I generally am happy with the fair way North Yorkshire Council deliver the funding entitlement and believe they do the best for providers with the limited resources that they have. However, as always this is not enough for small private providers- the sector is clearly being shifted to be dominated by school based settings and the remaining private sector is being decimated by large chains. I would like NYCC to stand up for the sector and fight for smaller providers.*
Childminder	I disagree with the first two bullet points for the same reasons as previously stated. *As childminders we are told that the funding is each child's individual funding and can only be used under the strictest terms. For the local authority to use funding that is allocated to an individual child to boost other services is hypocritical when we have so many sanctions put on us providers*

Sessional Care	Although our preschool currently provides care for children aged 2 to 5, we fully support the importance of early SEND identification and additional funding for children from disadvantaged backgrounds.
Sessional Care	I am unable to state whether I agree or disagree with the proposals as no indicative funding rates, worked examples, or financial impact assessments have been provided. Without this information it is not possible to evaluate the likely impact on our setting's sustainability, staffing, or ability to deliver high-quality provision.

Question 2

Do you have any further comments relating to the local authority proposals for early years funding for 2027-28?

Provider Type	Comment
Childminder	Pay us more for 3yrs plus. We are self-employed and do not work for the council, so you should accept OUR rates if £6 plus for children over 3. Also, we should all be paid the same, no matter where we live. We should be paid less than everyone else because we live in North Yorkshire, this is unfair and could be illegal!
Full Day Care	With regards to the proposal to retain 3% of the funding to fund the services provided, I think is unfair for providers to have to foot the bill when some will actually barely use the services and some will use them constantly. I think it would be much better to deduct the funds based on how much a provider uses the services.
Sessional Care	I just feel the children should be given far more funding than they do and im not suprised settings are closing because of hoe low the funding is, it just isnt sustainable.
Sessional Care	The early years sector should be better funded by central government. 'Free childcare' is a misleading term. North Yorkshire is a varied authority and should receive greater funding to meet diverse needs.
Childminder	I feel the best way for funding is for it to be equal across the age ranges this would then prevent parents of 3 & 4 year olds having difficulty finding a childcare space as some childcare providers are reluctant to have that age due to the under funding
Childminder	I do wish that childminders were paid the same rate for every child!
Full Day Care	Does this take into account the CMA investigation which will now include rates?
Full Day Care	all comments included on first page*. I vehemently disagree with the way deprivation funding is allocated. I do not believe postcode is an accurate way to distinguish deprivation levels and it means that settings that happen to be based closer to Band A postcodes receive significantly higher funding rates.* *I do not disagree with the development of a contingency fund in principle but that is based on the assumption that it will be used appropriately to assist in the delivery of funded hours and not used up on general administrative costs. I generally am happy with the fair*

	way North Yorkshire Council deliver the funding entitlement and believe they do the best for providers with the limited resources that they have. However, as always this is not enough for small private providers- the sector is clearly being shifted to be dominated by school based settings and the remaining private sector is being decimated by large chains. I would like NYCC to stand up for the sector and fight for smaller providers.
Sessional Care	As a small charity-run preschool situated in an area of high deprivation, we work incredibly hard to provide a safe, nurturing and inclusive environment for all our children. We are seeing an increasing number of children with additional needs, particularly in speech, communication and development. Although we are passionate about supporting every child, the growing demand for SEND support places considerable pressure on our staffing, resources and finances. We would welcome increased funding that reflects the challenges smaller settings face, particularly when providing additional one-to-one support and early intervention. We also feel it is important that deprivation funding continues to support children and families who need it most. Small community preschools play a vital role in giving children the best possible start in life, and we want to ensure that we have the financial support needed to continue providing high-quality early years education for everyone.
Childminder	Should think of childminders ratio as can only have 3 under 5 years so for 3/4 year olds to take we should be paid the same rate as a 2 year old. Nursery settings its 8 to 1 adult, so its not fair, childminders and parents are suffering.
Full Day Care	Funding should be 100% to the providers and a separate fund for councils
Sessional Care	It is frustrating you are asking settings to consult on something with no facts or figures or any information how these changes will impact settings in a postive or negative way.
Full Day Care	With the cost of staffing going up annually and the daily running costs we feel this has not been taken into account with these rates.
Sessional Care	more funding so that smaller settings can keep going in the local community