NORTH YORKSHIRE SCHOOLS FORUM

Date of meeting:	Thursday 20 November 2025
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 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.
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 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 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.
Voting Requirements	N/A
Appendices:	Appendix 1 – 2026-27 Early Years Funding Consultation – Provider Comments
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NORTH YORKSHIRE COUNCIL

Early Years Funding Update

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 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.

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 (now spring 2026).

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:

Band	2025/26 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
- 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 <u>2026-27 EARLY YEARS FUNDING CONSULTATION</u>

3.1 The local authority is seeking to ensure that providers receive timely notification of early years funding rates for the 2026-27 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 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 <u>2026-27 Provider Base Funding Rates</u>

The consultation proposals are 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 approx. 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)
- There is a single provider base funding rate for the 2-year-old entitlements for disadvantaged children and working parents.

In undertaking the principle-based consultation it has not been possible to provide base funding rates for the 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:

Band	**2026/27 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. In the 2024-25 financial year the funding of the SENIF transferred from the

High Needs Block DSG to the Early Years Block DSG. 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 be approx. £2.6m; this equates to approximately 2% of the forecast 2026-27 Early Years allocation for funded entitlements.

3.5 The 2026-27 Early Years Funding consultation was undertaken between 19 September 2025 and 24 October 2025.

3.6 101 responses were received to the consultation, as shown below.

LA Maintained Nursery School	0
LA Maintained Schools and Academies	29
Independent Schools	0
Full Day Care	13
Sessional Care	9
Childminders	50
Total	**101**

(Response rate: 17.75% of funded early years' providers)

(2 responses did not state a provider name and 1 duplicate response was provided; these responses have been excluded from the results analysis)

3.7 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 2026/27 financial year to reflect:

- **local authority retention of approx. 3% of the early years funding allocation 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.**
- **use of the Early Years Funding allocation to fund 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.**

	In Agreement with Funding Proposals (No. Responses)			Total Responses
	Yes	No	No Response Provided	
2026-27 3- & 4-year-old base funding rate	85	14	2	101
2026-27 base funding rate for 2-year-olds of families receiving additional support and 2-year-olds of working parents	90	9	2	101
2026-27 base funding rate for under 2-year-olds of working parents	85	11	5	101

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

3.8 Based on the consultation responses received from early years' providers, the proposed funding principles will be applied in the calculation of the 2026-27 early years base provider funding rates. The proposed 2026-27 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 2026.

4.0 RECOMMENDATIONS

4.1 The North Yorkshire Schools Forum is asked:

i. To note the latest information received from the DfE in respect of early years funding for the 2026-27 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 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.

PETER THORPE

Corporate Director – Children and Young People's Service (Interim)

Appendix 1

North Yorkshire Council
2026/27 Early Years Funding Consultation – Provider Comments

Question 1

2026/27 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 2026/27 financial year

Provider Type	Comment
Childminder	Too Low /Not Financial Viable for a small provider (childminder)
Childminder	I believe 3-4 year old funding needs more of an increase to make private nurseries and school nurseries more sustainable. The big step between babys and 3 years old needs to closer to prevent childcare places being abused and more about making money the the care and enjoyment for the job.
Childminder	I agree with the way of working out deprivation funding but not that the L/A should keep 3% of the funding for the area this seems to be in excess of what would be required to effectively provide the service.
Full Day Care	I do not agree with the deprivation supplement rates. I do not agree that settings with children from more deprived areas need more funding than others, the same level of service is supposed to be offered across the sector. If deprivation supplements are calculated based on postcodes then there should be an more even distribution between the bands (Band A: 54p - Band B: 7p?!)
Sessional Care	I do agree but unfortunately the funding is aways way too low to keep businesses going. There will be yet again more Early years settings going under because of the low funding. Our setting is a charity setting and i dont think we will keep going much longer unless the funding amount goes up.
Full Day Care	we are underfunded on 3 and 4 years funding so i dont think its fair any money is retained for that age group.I believe funding rates shouldn't be based on areas of deprivation, as all children deserve the same rate. It should be up to the provider to allocate the funding where it's needed most, depending on individual family circumstances. There is still very limited support and resources to support children with SEND of this age group too, so to take this amount of funding from this group of children which are already underfunded seems unfair and immoral due to the lack of services available.

Schools and Academies	I agree on the grounds that school again receive focused support as we did in the academic year just gone. Otherwise I struggle to understand how we benefit from losing funding.
Childminder	Most children of this age bracket are at school nursery
Childminder	Funding for this age range should be the same as the younger age group. We work just as hard for all ages!!
Schools and Academies	We do agree but for point 2 we would need to see some support for rural schools as we often get forgotten about.
Full Day Care	I do not agree on the postcode defining the deprivation funding rate and this element of the funding payment.
Schools and Academies	It would be useful to know what central services this covers.

b) Do you agree with the principle-based proposal for the provider base rate funding for all eligible 2-year olds' (disadvantaged two-year-old entitlement and two-year-old children of working parents' entitlement) for the 2026/27 financial year

Provider Type	Comment
Childminder	Too Low Financially Unviable for a Childminder if not full to capacity
Childminder	This payment seems fair
Full Day Care	I do not agree with the deprivation supplement rates. I do not agree that settings with children from more deprived areas need more funding than others, the same level of service is supposed to be offered across the sector. If deprivation supplements are calculated based on postcodes then there should be an more even distribution between the bands (Band A: 54p - Band B: 7p?!)
Sessional Care	Again i think these rates are better but still not as good as they should be.
Full Day Care	I believe funding rates shouldn't be determined by areas of deprivation, as every child should receive the same amount. The provider should have the flexibility to direct the funding where it's most needed, based on individual family circumstances. Additionally, since there is limited SEN support for two-year-olds, funding for this age group should not be withheld. A reduction of funding with the limited resources and lack of funding is immoral and unjustified for children of this age group
Childminder	I agree
Childminder	Using banding of where the child lives, is not always an indication of financial hardship.
Schools and Academies	Not applicable to us
Full Day Care	I do not agree on the postcode defining the deprivation funding rate and this element of the funding payment.

Schools and Academies	This does not apply to us as we only have from 3+years.

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 2026/27 financial year

Provider Type	**Comment**
Childminder	Not Viable Financially if not full to maximum numbers - below minimum wage
Childminder	I believe this is to high and the extra put towards 3-4 year olds for the reasons i explained in the 1st question.
Childminder	I wish there was a way that disadvantaged children from 9mths could access funding, as well as working parents.
Full Day Care	I do not agree with the deprivation supplement rates. I do not agree that settings with children from more deprived areas need more funding than others, the same level of service is supposed to be offered across the sector. If deprivation supplements are calculated based on postcodes then there should be an more even distribution between the bands (Band A: 54p - Band B: 7p?!)
Schools and Academies	Our setting only takes 3-4 year olds so don't have a comment either way on this element
Full Day Care	I believe funding rates shouldn't be determined by areas of deprivation, as every child should receive the same amount. The provider should have the flexibility to direct the funding where it's most needed, based on individual family circumstances. Additionally, since there is even less SEN support for under 2's, funding for this age group should not be withheld. Under 2's have the least amount of services available to them and the services they do have such as health visitors are beyond stretched and what they provide has decreased over time. There is unacceptable levels of support for children of this age group and their families. Early years providers are having to do more and more to fill this gap to support children's health and well being needs and parenting guidance and support.
Childminder	I agree
Childminder	The funding rate should be the same across all ages. It would then stop settings from turning down 3-4 yr olds as the rate is alot lower.
Schools and Academies	Not applicable to us
Full Day Care	I do not agree on the postcode defining the deprivation funding rate and this element of the funding payment.
Schools and Academies	This is not relevant to us as we only have 3+ years in our setting.

Question 2

Do you have any further comments relating to the local authority proposals for early years funding for 2026/27?

Provider Type	Comment
Childminder	Sadly, the 3/4 year old funding still is not enough.
Childminder	No
Childminder	I feel very strongly about the funding rates being so far apart from 9mth -2 to 3-4 yrs old. You are making it about money and not the care and passion for the job.
Full Day Care	Not part of the 2026-2027 proposals but it would be very helpful if the number of funded weeks per term aligned with number of weeks in the academic term.
Childminder	I feel that funding rates should be across the board rather than different hourly rates for different ages. It's extremely hard to manage a business where one year youre getting over 26k for example to then drop to potentially 20k or less. How is that sustainable for childminders, especially those working on their own, like myself. I can go from earning near on £30 p/h one day to just £18 the next and thats before tax.
Full Day Care	If the LA continue to retain 3% of the allocated funding rates I would like to see more support and training delivered to settings free of charge like previously. Termly consultancy visits and safeguarding audits etc... I have noted that more training is being brought back free of charge through NYES which is positive to see, it is essential to be able to access training to be able to build a strong and dedicated Early Years workforce. More face-face training is needed, I got so much out of networking meetings and in-person training events when I started in Early years which you cannot replicate with online training.
Childminder	The 3-4 year old rate is still massively underfunded!!!! I am now trying to move children on to school nursery when they get to 3. It is completely unsustainable.
Full Day Care	As a setting every year we are one of the lowest paid areas for funding for children and this continues to amaze us and raises questions of how and why? We still have to provide the same high levels of care and education for all children. The confusion of why we are paid so low is something that we feel is morally wrong and an unfair disadvantage to all our children and their families.
Childminder	The rate should be an average for childminders. The difference for under 3's to 3-4years is too much, the rate drops significantly, many childminders are only taking under 3's for this reason.

Sessional Care	No
Childminder	The funding for 3 year olds is less than most settings charge privately. At present this is off set for me by younger children however those children who are currently 2 more than 50% of my cohort will all turn 3 and my income will drop substantially. This will cause problems for myself and I may have to get a second job to support my family until I get another cohort of children aged 9m
Childminder	I think the responsibility given by the child care provider does not reflect in the hourly rate
Childminder	No
Schools and Academies	None
Schools and Academies	We do not agree with the proposal to stop after headcount claims for private and school based settings! We take children from 2yrs upwards. By implementing this change it will stop a lot of parents being able to use their hours at our setting. Perhaps you need to change your headcount and census dates to later in the terms so this won't have such a massive impact on our settings. We would urge you to not implement this change as it is detrimental to preschools that only take children from the age of 2.
Childminder	Please look at supporting the smaller privately owned businesses with some of the 3 percent retained. I do feel the government is providing huge support to nurseries in preschool and our precious settings do offer such a fantastic education and opportunity to all Early Years Children.
Full Day Care	The funding retention for centrally managed service provisions, SENIF, EYPP and DAF are all necessary and understood and the direct benefit and best use of the funding can be seen. However, the deprivation supplement - postcode based, does not seem to reflect children's need and the best use of funding.