



NORTH YORKSHIRE COUNCIL

2026-2027

EARLY YEARS FUNDING RATES

(Under 2-year-olds, 2-year-olds and 3 & 4- year-olds)

A CONSULTATION PAPER

19 September 2025

Deadline for responses: 5pm, 24 October 2025

1.0 Background and Introduction

1.1 In the 2023 Spring Budget, the Government announced the expansion of funded early education and childcare entitlements for working parents from April 2024 with a phased implementation of the expansion programme up to September 2025. The roll-out of the expanded entitlements is now complete. For the financial year 2026-2027, the education and childcare entitlements are follows:

- 15 hours a week universal entitlement for all three and four-year-olds.
- additional 15 hours a week for three and four-years-olds from eligible working families.
- 15 hours a week entitlement two-year-olds from disadvantaged families meeting the eligibility criteria.
- 30 hours entitlement for eligible working families with children aged from 9 months to two-years-old.

(All entitlements are for a maximum 38 funded weeks over the financial year)

1.2 The Department for Education (DfE) have confirmed the key changes to the local early years funding rules for the 2026-2027 financial year ahead of the publication of the local authority funding 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 2026-2027.
- A statutory deadline for local authorities to confirm local funding rates to providers by 28 February each year for the following financial year (starting 1 April).
- The funding paid to local authorities by the DfE for all early years' entitlements will be based on termly headcounts. This is a change from the current funding arrangement where the funding for the working parent entitlements related to two-year-olds and under two-year-olds is based on termly headcounts and the funding for three & four-year-olds and disadvantaged two-year-olds is based the headcounts for the January prior to the financial year and the January within the financial year.

Important: Please see the implications of this change for after-headcount adjustments in section 5.2 below.

1.3 The DfE provides early years funding to local authorities through the Early Years Block of the Dedicated Schools Grant (DSG). The DfE allows the early years funding allocated to local authorities to be used to cover the costs of early years provider funding (including funding supplements), any central services related to early years' children and provision that are provided by the Local Authority free at the point of delivery, and the provision of the Special Educational Needs Inclusion Fund (SENIF). The early years local authority funding rates for North Yorkshire for the current 2025-2026 financial year are as follows:

<i>Early Years Phase</i>	<i>Local Authority Hourly Funding Rate</i>
Three and four-year olds	£5.71
Two-year olds	£7.74
Under two-year-olds	£10.48
Maintained nursery school supplement (three and four-year old universal hours only)	£5.27

1.4 North Yorkshire Council undertook a consultation with the early years sector on the funding arrangements for the 2025-2026 financial year. The following proposals were supported by providers through the consultation and implemented:

- A 3 & 4-year-old base provider hourly funding rate for universal and working parent entitlements of £5.36 per hour
- A 2-year-old base provider hourly funding rate for working parent and disadvantaged entitlements of £7.30 per hour
- An under 2-year-old base provider hourly funding rate for working parent entitlements of £9.91 per hour
- deprivation funding supplement all early years' funded entitlements based on Index of Multiple Deprivation (IMD) bandings.
- The provision of funding for the Early Years SENIF from the Early Years Block DSG (approx. 2% of the early years local authority funding).
- The application of a 3% funding retention rate for the provision of local authority centrally managed service provision for early years children and provision for all funded entitlements.

1.5 Additionally, the DfE provides Early Years Pupil Premium (EYPP) and Disability Access Funding (DAF) for eligible children for all funded entitlements. The 2025-2026 national funding rates are:

Early Years Pupil Premium hourly funding rate for 3 & 4-Year-Old Universal Hours, Disadvantaged & Working Parent 2-Year-Old entitlements and the Under 2-Year-Old Working Parent entitlement. (Maximum funding based on 15 hours per funded week for eligible children)	£1.00 per hour
Disability Access Funding (annual rate)	£938 per annum

2.0 Funding Supplements

2.1 The funding rate paid to early years providers consists of a base hourly funding rate and funding supplements. Within North Yorkshire, the funding supplement for deprivation is paid for all funded entitlements.

The DfE expect local authorities to ensure funding for deprivation is reflected in their approach to funding for all entitlements, recognising the additional costs associated with supporting children from disadvantaged backgrounds. The deprivation supplement for three and four-year-old children is mandatory and discretionary for children aged two and under.

2.2 Deprivation Funding Supplement

Deprivation funding is paid at the end of each term and is based on the funded 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.

The deprivation funding rates for the 2025-2026 financial year are as follows:

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

3.0 Special Education Needs Inclusion Fund (SENIF)

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 free entitlements. The funding for the SENIF is provided from the Early Years Funding allocation. This approach delivers parity between the schools and early years sectors; within the school's sector, the funding to support the needs of children with lower or emerging levels of SEND is provided through the school budget allocation. The budget requirement from the Early Years Funding for the SENIF equates to approximately 2% of the local authority Early Years Funding allocation.

4.0 Local Authority Centrally Retained Funding

The DfE funding regulations accompanying the Early Years National Funding Formula (EYNFF) restrict the level of the funding which can be retained by the local authority for the delivery of centrally managed services associated with early years' children and provision. The maximum level of funding allowed to be retained is 4% for all entitlements for the 2025-2026 financial year; this reduces to 3% for the 2026-2027 financial year. In North Yorkshire approx.3% has been retained for all entitlements for the 2025-2026 financial year,

This funding is used to support the delivery of central services related to early years' children and provision that are provided by the local authority free at the point of delivery.

5.0 2026-2027 Early Years Provider Funding Rate Proposals

5.1 The DfE funding regulations require local authorities to:

- To publish final hourly funding rates for the 2026-2027 financial year to providers by 28th February 2026.
- Pass through of at least 97% of funding to providers through the base provider funding rate, funding supplements and the SENIF.

5.2 IMPORTANT CHANGE - AFTER HEADCOUNT ADJUSTMENTS

The change being implemented by the DfE for the 2026-2027 financial year whereby the funding paid to local authorities for all of the funded entitlement will be based on termly headcounts is likely to reduce the overall level of early years funding received from the DfE by North Yorkshire Council. The early years funding received by the local authority from the DfE will be entirely based on the free entitlement hours recorded on the termly headcounts. This will require the local authority to limit the circumstance where providers can be paid in respect of "After Headcount Adjustments". These payments enable early years providers to claim funding when they have missed the normal termly headcount deadline. From 1 April 2026, the local authority will apply the following arrangements:

- The funding for childminders will continue to be adjusted for children who move in and out of their provision after the termly headcount date.
- For private, voluntary and independent providers and schools and academies, after headcount funding will only be able to be claimed for children who have moved into North Yorkshire between the headcount deadline date for the funded term and the after-headcount deadline for the funded term, and the child has not accessed a funded place at another early years' provider within North Yorkshire in the funded term. Providers will be required to provide evidence of the date that the parents moved into North Yorkshire to support any after headcount claim.

Providers are advised to consider their individual business response and parental communication arrangements where a parent, who has not newly moved into North Yorkshire, wishes to take up a funded place after the termly headcount deadline date. Where possible, providers are advised to encourage parents to take up their funded place before the termly headcount deadline date. Where this is not possible, options which providers may wish to consider may include offering a chargeable place for the remaining period within the term and a funded place in the following term, offering a place free of charge for the remaining period within the term and a funded place in the following term or deferring the offer of any place until the following term.

- 5.3 At this stage, no details have been provided by the DfE on the 2026/2027 Early Years DSG funding rates; this information is not expected until later in the Autumn 2025 term. North Yorkshire Council wishes to ensure that providers receive timely notification of early years funding rates for the 2026-2027 financial year and that there is compliance with the requirement for the local authority to communicate funding rates to the sector by 28th February 2026. In this respect, a **principle-based funding consultation** is being undertaken with early years providers within North Yorkshire on the following elements of the early years funding entitlements for the 2026-2027 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

At this stage, indicative early years base provider funding rates cannot be provided for the 2026-2027 financial as the DfE has not yet published the local authority 2026-2027 early years funding rates. The results from this consultation will be used to inform the principles to be applied in calculating the early years provider base funding rates for North Yorkshire Council for the 2026-2027 financial year.

a. 2026-2027 Proposed Three and Four-Year-Old Funding

- a. A principle-based proposal is made for the provider base rate funding for eligible 3 & 4-year olds' universal and working parent entitlement for the 2026-2027 financial year to reflect:
- local authority retention of a maximum of 3% of the early years funding allocation to support the delivery central services related to early years' children and 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 early funding allocation) to support providers in addressing the needs of children with lower or emerging levels of Special Education 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.

b. 2026-2027 Proposed Two-Year Old Funding

A principle-based proposal is made for the provider base rate funding for all two-year entitlements (eligible two-year old children from disadvantaged families' entitlement and two-year-old children of working parents' entitlement) for the 2026-2027 financial year to reflect:

- local authority retention of a maximum of 3% of the early years funding allocation to support the delivery central services related to early years' children and 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.

c. 2026-2027 Proposed Under Two-Year-Old Funding

A principle-based proposal is made for the provider base rate funding for the under two-year-old children of working parents' entitlement for the 2026-2027 financial year to reflect:

- local authority retention of a maximum of 3% of the early years funding allocation to support the delivery central services related to early years' children and 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.

6.0 Equalities

The Equalities Impact Assessment related to the proposals contained within this consultation is provided in Appendix 1 to this document.

7.0 Consultation Process

Providers are asked to complete the online survey at: <https://online1.snapsurveys.com/v8akz9> to tell us your views on the principle-based proposals for early years funding rates for the 2026-2027 financial year, as detailed in section 5 above, **The survey will be open until 5.00pm on Friday, 24 October 2025.**

The responses received to this consultation will be considered by the North Yorkshire Council Executive Members for the Children & Young People's Service in their decision-making process in relation to early years' funding rates for the 2026-2027 financial year.