



NORTH YORKSHIRE COUNCIL

2027-2028

EARLY YEARS FUNDING RATES

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

A CONSULTATION PAPER

25 September 2026

Deadline for responses: 5pm, 23 October 2026

1.0 Background and Introduction

1.1 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. All entitlements are for a maximum 38 funded weeks over the financial year. The current 2026-27 financial year is the first full year of the operation of the expanded entitlements for working parents.

1.2 On the 6 July 2026, the Department for Education (DfE) launched a national consultation: [Early years funding: proposed changes to the entitlements funding system \(Early year funding proposed changes to the entitlements funding system consultation\)](#). The national DfE consultation ran from 6 July 2026 to 14 September 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

In addition to the proposed changes for next financial year, the DfE are also consulting on proposed changes for the 2028-29 and 2029-30 financial years as follows:

- The deprivation funding supplement to be more clearly purposed to improve access for disadvantaged children and families (2028-29)
- Upfront inclusion funding to be built into the rates paid to local authorities (replacing the current separate Inclusive Early Years Fund (IEYF) grant funding) (2028-29)
- To replace SENIF and Disability Access Fund (DAF) with a streamlined targeted funding stream (2028-29)
- To update the categories and reduce the number of permissible local funding supplements (2028-29)
- To begin rebalancing high needs funding so that a greater share is available to early years settings upfront (from 2029-30)
- To begin to separate funding for local authority central services from entitlements funding allocated to providers (from 2029-30)

1.3 The DfE have stated that the planned updates to the data used in the Early Years National Funding Formula (EYNFF), together with the incorporation of IDACI data for the 3 and 4-year-old formula will result in revised funding levels for local authorities. The current indication is that North Yorkshire will experience a reduction in 2-year-old and under-2-year-old funding rates of up to 2.5%; there is no change forecast for the 3 and 4-year-old funding rate.

1.4 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 2026-27 financial year are as follows:

Early Years Phase	Local Authority Hourly Funding Rate
Three and four-year olds	£6.20
Two-year olds	£8.12
Under two-year-olds	£11.01
Maintained nursery school supplement (three and four-year old universal hours only)	£5.47

1.5 From the 2026-27 financial year, the early years funding paid to local authorities by the DfE for all of the funded entitlements is based on termly headcounts. The early years funding received by the local authority from the DfE is entirely based on the free entitlement hours recorded on the termly headcounts. This required the local authority to limit the circumstances where providers are able to be paid in respect of “After Headcount Adjustments”.

1.6 North Yorkshire Council undertook a consultation with the early years sector on the funding arrangements for the 2026-27 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 £5.84 per hour
- A 2-year-old base provider hourly funding rate for working parent and disadvantaged entitlements of £7.66 per hour
- An under 2-year-old base provider hourly funding rate for working parent entitlements of £10.41 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 2026-27 national funding rates are:

Early Years Pupil Premium hourly funding rate for 3 & 4-Year-Old Universal Hours, Early Learning & 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)	£1.15 per hour
Disability Access Funding (annual rate)	£975 per annum

2.0 Funding Supplements

- 2.1 The funding rate paid to early years providers consist 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 2026-27 financial year are 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

3.0 Special Education Needs Inclusion Fund (SENIF)

- 3.1 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

- 4.1 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 3% for all entitlements for the 2026-27 financial year. In North Yorkshire approx.3% has been retained for all entitlements for the 2026-27 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.

The DfE Early Years Funding Consultation is proposing a 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

5.0 Early Years Contingency Fund

- 5.1 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. Within the 2025-26 financial year, nationally, 92 out of the 153 local authorities operated an early years' contingency fund with the average level of the fund being 1.05% of a local authority's planned early years budget.
- 5.2 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. In this regard, the local authority now considers it prudent to allocate a small funding contingency for the 2027-28 financial year for the early years budget. 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).
- 5.3 **The contingency fund can only be used to support payments to early years providers** and is included within the 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.

6.0 2027-28 Early Years Provider Funding Rate Proposals

- 6.1 The DfE are proposing a number of changes to early years funding arrangements for the 2027-28 financial year, as detailed in section 1.2 above. The early years provider funding rate proposals made by the local authority within this consultation have regard to the DfE proposals.
- 6.2 The DfE funding regulations require local authorities to publish final hourly funding rates for the 2027-28 financial year to providers by 28th February 2027.
- 6.3 At this stage, no details have been provided by the DfE on the 2027-28 Early Years DSG funding rates; this information is not expected until later in the Autumn 2026 term. North

Yorkshire Council wishes to ensure that providers receive timely notification of early years funding rates for the 2027-28 financial year and that there is compliance with the requirement for the local authority to communicate funding rates to the sector by 28th February 2027. 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 2027-28 financial year:

- The provider base funding rates for 3 & 4-year-old universal and working parent entitlements, the 2-year-old entitlements for early learning 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 allocation of a small proportion of provider funding to a contingency fund; any unused funding will be redistributed to providers at the end of the financial year.

At this stage, indicative early years base provider funding rates cannot be provided for the 2027-28 financial as the DfE has not yet published the local authority 2027-28 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 2027-28 financial year.

a. 2027-28 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 2027-28 financial year to reflect:
- local authority retention of approx. 3% of the early years funding allocation to support the delivery 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 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.
 - 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.

b. 2027-28 Proposed Two-Year Old Funding

A principle-based proposal is made for the provider base rate funding for all two-year entitlements (eligible children for the early learning two-year old entitlement and two-year-old children of working parents' entitlement) 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.

c. 2027-28 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 2027-28 financial year to reflect:

- local authority retention of approx. 3% of the early years funding allocation to support the delivery 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.

7.0 Equalities

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

8.0 Consultation Process

Providers are asked to complete the online survey at: <https://survey.northyorks.gov.uk/t/8OC3H7/> to tell us your views on the principle-based proposals for early years funding rates for the 2027-2028 financial year, as detailed in section 6 above, **The survey will be open until 5.00pm on Friday, 23 October 2026.**

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 2027-28 financial year.