



SCHOOLS FUNDING FORUM AGENDA

8.00 am

Thursday
12 February 2026

virtual

Members 21: Quorum: 9

MEMBERSHIP:

Representative Groups

LA Maintained School Representatives:

Head Teachers (7): Emma Allen, Special
Michael Ross, Primary
Kirsten Cooper, Primary
Georgina Delmonte, Primary
Hayley McClenaghan, Primary
David Unwin-Bailey, Primary
Chris Speller, Primary

Governors (1): Vacancy

**Academy
Representatives:**

Primary (2): Chris Hobson
Vacancy

Secondary (5) Neil Frost
Scott McGuiness
David Turrell
Paul Larner
Vacancy

Special (1) Andy Smith

AP Academy (1) Tony Machin

**Non-School
Representatives:**

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Early Years PVI Sector (1) Emma Reynolds

Post 16 (1) Paul Larner

Diocesan Board (2) Chris Speller, Diocese of Chelmsford
Michael Ross, Diocese of Brentwood

Trade Unions (2): George Blake/John McGill, Teachers
Peter Liddle, Support Staff

For information about the meeting please contact:
Katherine Heffernan
Katherine.Heffernan@havering.gov.uk

AGENDA ITEMS

1 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS OR OBSERVERS

2 TO AGREE THE NOTES OF THE MEETING HELD ON...

The notes are attached at Appendix A.

3 HAVERING SFF DRAFT MINUTES 15 01 26 (Pages 1 - 5)

4 MATTERS ARISING

5 ITEM 4 EARLY YEARS FUNDING 2026-27 (Pages 6 - 35)

6 ITEM 5 HIGH NEEDS FUNDING 2026-27 (Pages 36 - 39)

7 NEXT MEETINGS

The next meetings have been arranged as follows:

11th June 2026

All meetings to be held at CEME, Rm 233, at 8.00am.

8 ANY OTHER BUSINESS

**Zena Smith
Democratic and Election Services Manager**

Agenda Item 3

MINUTES OF A MEETING OF THE HAVEN SCHOOLS FUNDING FORUM

**Thursday 15th January 2026 at CEME
(8.00am – 9.15am)**

Present:

LA Maintained School Representatives:

Primary	Kirsten Cooper (<i>Chair</i>) Georgina Delmonte Hayley McClenaghan David Unwin-Bailey (DUB) Mike Ross (also representing the Diocese of Brentwood) Steve Bowers
Special	Emma Allen (EA)
Governor	Les James (LJ)

Academy Representatives:

Primary	Chris Hobson (CH)
Secondary	David Turrell (<i>Vice Chair</i>) (also representing Post 16) Paul Larner (also representing Post 16) Neil Frost

Non-School Representatives:

Alternative Provision (Academy): Tony Machin

Trade Unions: Julia Newman (JN) (Support staff union representative)
John McGill (JM) (Teaching staff union representative)

Non-Members in attendance:

Angela Adams	Clerk, HGS
Marcus Bennett	Head of SEND
Kavan Cheema (KC)	Strategic Business Partner
Trevor Cook (TC)	Assistant Director of Education
Katherine Heffernan (KH)	Head of Finance (Business Partnering)
Lisa Jones	Principal Education Finance Officer
Jacqueline Treacy (JT)	Senior Inspector for schools causing concern (HSiS)

1. ANNOUNCEMENT OF NEW MEMBERS, APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS OR OBSERVERS

All were welcomed to the meeting.

Apologies were received from the following Forum Members:

Chris Speller, Steve Bowers was attending on his behalf.

Scott McGuiness

Emma Reynolds

It was also noted that Trudy Spillane from the Drapers Academy Trust was observing the meeting.

2. TO AGREE THE MINUTES OF THE MEETING HELD ON 11th DECEMBER 2025

The minutes of the meeting held on 11th December 2025 were received and agreed.

3. MATTERS ARISING

There were no matters arising from the previous minutes that were not included elsewhere on the agenda.

4. SCHOOLS BLOCK

Forum members were asked to:

- (i) Consider the responses to the Consultation on Schools and High Needs Funding 2026-27 submitted by schools and academies.**
- (ii) Havering adopts the national funding formula rates for the funding of schools and academies in financial year 2026-27 with a minimum funding guarantee of 0.00% per pupil and a gains cap of 2.00% per pupil.**
- (iii) £1,349,465 (0.50%) of the DSG Schools Block is transferred to the DSG High Needs Block**
- (iv) £1,020,948 of the DSG Schools Block is used to support Pupil Growth and Falling rolls in addition to the £876,134 funding received for this.**

Forum members were advised that the circulation of the consultation had been delayed as it could only be circulated once the data from the DfE had been received. However, despite the delay there had been a reasonable level of response and feedback had been included in the pack. Webinars on how the funding formula would work were to follow to support schools in understanding the process.

The initial consultation data showed that the per pupil funding was higher but as a number of schools had falling rolls, funding overall would reduce as a result of this. Falling rolls support was allocated through a formula that looked at year groups, but it was advised that the falling rolls funding needed to be increased. Only a small group of schools were entitled to the minimum funding guarantee (MFG). The gains cap would be set at 2%.

DUB stated that the borough formula for pupil number predictions should be accurate going forward. In response it was advised that it would be predicted as accurately as possible but mobility due to housing impacted the predictions. The draft strategy would be shared through cluster groups and Secondary schools could be impacted going forward. The reduction of PANs with flexibility to introduce bulge classes as needed was currently under review.

DUB further queried the figures listed in the data for growth and falling rolls. In response it was advised that the formula looked at each year group and compared it to the nearest class size, the formula looked at the funding for a class teacher alongside pupil numbers. Schools could ask H Moussa for further information with regards to the amount received under this funding allocation.

In response to a further question from LJ it was noted that additional funding received for a class would be paid for every year that cohort was in the school. Previously it had only been paid for 2 years.

It was stated that the environment was changing, some schools were over number in some year groups and other schools had been asked to retain empty spaces. TC advised that numbers were continually reviewed to establish what needed to be and what could be done, discussions were held with schools as needed.

It was further questioned if when allocating funding how some schools who were not in deficit but had falling rolls were allocated funding when other schools could be in deficit and not get funding, was considered. In response it was noted that this was considered. Schools also needed to be outstanding or good to qualify for falling rolls funding.

There was a mixed picture with regards to pupil number across London, but across the country rolls were falling which may prompt the DfE to look at this issue further.

All eligible School Funding Forum representatives then voted on the following:

- (i) Funding forum members noted the outcomes of the Consultation on Schools and High Needs Funding 2026-27 submitted by schools and academies.**
- (ii) Funding forum members voted unanimously for Havering to adopt the national funding formula rates for the funding of schools and academies in financial year 2026-27 with a minimum funding guarantee of 0.00% per pupil and a gains cap of 2.00% per pupil.**
- (iii) Funding forum members voted unanimously for £1,349,465 (0.50%) of the DSG Schools Block to be transferred to the DSG High Needs Block**
- (iv) Funding forum members voted unanimously for £1,020,948 of the DSG Schools Block to be used to support Pupil Growth and Falling rolls in addition to the £876,134 funding received for this.**

5. HIGH NEEDS FUNDING

Forum members were asked to:

- (i) note the forecast for expenditure on the High Needs Block in 2025-26
- (ii) note the indicative allocation of funding for High Needs in 2026-27
- (iii) note the update from the High Needs Working Group
- (iv) give any feedback, comments and further suggestions on the issues outlined.

Forum members noted that this would be reviewed further by the High Needs working group which would meet following this meeting.

An in-year deficit of £31,404M was forecast for period 9 which had the potential to increase due to the backlog of assessments. Overall, the deficit was £68M which was concerning but this was impacted by complexity of need and banding. There were more pupils being placed outside of the Borough for their needs to be met due to the lack of specialist capacity in the Borough. Out of Borough placements came with a high banding but Havering was not in a strong negotiating position. However, Havering were continuing to increase capacity and a new special school was in the process of being built which would increase capacity in the Borough.

By March 2026, a reform plan needed to be produced for Special Education Needs (SEN), but Havering was an inclusive Borough. The statutory override was also due to finish in 2 years' time, at which point the DfE would manage this funding.

The Borough needed to ensure transparency and continue to do what they did to support high needs, the concerns about schools being in deficit due to High Needs had been shared with the DfE. At this point in time there was less of an impact on Secondary schools with regards to SEN.

High needs block allocations for 2026 -27 were noted and the forecast deficit for the end of 2026 -27 was noted as £100 - £110M. In response to a question from JM it was noted that the figure came from the in-year deficit of £30M, plus the deficit carried forward and an increase of £10M had also been included.

It was questioned if any other Boroughs were also in this position. In response it was noted that the Borough were an anomaly as they were still growing, this was not the case in other Boroughs, but forecasts needed to be realistic. In response to a further question, it was noted that forecast costs had been included in the figures.

Forum members noted the report.

A forecast overspend of £28.5m remained unchanged with a cumulative deficit of £64.6M forecast for the end of 2026 -27. The overspend was impacted by several factors including increasing needs and the cost of placing pupils in out of Borough provisions. Updated clearer guidance was expected from the DfE. It was further noted that there would be no more safety valve funding going forward.

Forum members noted the report and commented as needed.

6. CENTRAL SCHOOLS SERVICES BLOCK (CSSB)

Forum members were asked to:

- (i) note the final allocation of CSSB for 2026-27**
- (ii) consider the revised funding retention for central statutory services.**

Forum members noted that the allocation was £8K less but this would be absorbed by the Local Authority.

Forum members noted the final allocation of CSSB for 2026-27 and considered the revised retention.

7. EARLY YEARS

Forum members were asked to:

- (i) note the indicative funding allocations for 2026-27.**
- (ii) note the process and timeline for determining funding rates for 2026-27.**

A consultation would be completed and voting would follow at the meeting in February 2026.

There were a number of bands for Early Years funding and termly head counts would now be completed which could impact funding due to fluctuating attendance in Early Years. The Local Authority would retain 3% to cover costs and the remaining funding would be distributed in line with the formula.

This information had been shared with early years providers. However, clarification was requested as to how the lunch time costs would be covered.

ACTION: H Moussa

Forum members noted the indicative funding allocations for 2026-27 and timeline for determining funding rates.

8. NEXT MEETINGS

Thursday 12 February 2026 - This would be a remote meeting.

Thursday 11th June 2026

Meetings to start at 8.00am at CEME either in room 233 or 235.

9. ANY OTHER BUSINESS

There were no additional business items.

The Chair thanked Forum members for their contributions.

Meeting closed at 9.15am.

Agenda Item 5



Schools Funding Forum 12nd February 2026

ITEM 4

Subject Heading:

Early Years Funding 2026-27

Report Author:

Hany Moussa – Principal Education Finance Officer

Eligibility to vote:

All school and academy members and the PVI representative

SUMMARY

This report provides details of the consultation with early years providers on funding for financial year 2026-27, the outcome of which will be reported at the meeting.

RECOMMENDATIONS

The Schools Funding Forum agrees funding rates for 2026-27. The proposed recommended arrangements and rates, following the consultation responses and EYPRG engagement, are as follows:

1. The base hourly rate for:
 - a. 9 months to two year olds (under twos) entitlement - £11.85
 - b. two year olds – working parents’ entitlement - £8.64
 - c. two year olds – disadvantaged families’ entitlement - £9.20
 - d. three/four year olds (universal and extended) entitlement - £6.02
2. The level of a quality supplement to allocate funds to schools replacing the teachers’ pay and pension grants (TPPG) – Quality factor budget of £460,000
3. Deprivation rates of funding continue to be aligned with the rates that are used for schools in the National Funding Formula
4. SEN Inclusion Fund (SENIF) to support providers total budget of £2.313m.
5. Centrally retained budget for LA support and commissioning total budget of £1.797m.

REPORT DETAIL

4.1 Background

Early Years provision is funded through the Early Years Block of the Dedicated Schools Grant (DSG). Indicative DSG allocations for 2026-27 were issued by the DfE on 17th December 2025, along with the final allocations for the other DSG blocks.

For 2026-27, funding covers the following statutory entitlements:

1. Children aged 9 months to 2 year olds (working parents) – up to 30 hours
2. 2 year olds of working parents – up to 30 hours
3. 2 year olds from families receiving additional support (FRAS) – up to 15 hours
4. 3 and 4 year olds (universal and extended entitlement) – up to 30 hours

From September 2025, the government extended the working parent entitlement from 15 to 30 hours for eligible children aged 9 months to 2 years and eligible 2 year olds, aligning these entitlements with the 3 and 4 year old offer.

In the announcement, the DfE's NFF hourly rates determined for Havering, for financial years 2025-26 and 2026-27 are shown in the table below:

	9 months to 2 year olds (Under Twos)	2 year olds (working parents)	2 year olds (FRAS)	3/4 year olds
2025-26	£12.45	£9.17	£9.17	£6.40
2026-27	£12.87	£9.49	£9.49	£6.87
Increase (£)	£0.42	£0.32	£0.32	£0.47
Increase (%)	3.37%	3.49%	3.49%	7.34%

The 2026-27 rates include national cost pressure uplifts, the roll-in of EYNTPG and the increase for the census change, to ensure that funding rates are not impacted by the change approach by the DfE.

Las were notified of the initial allocation of Early Years funding for financial year 2026-27 based on the DfE projected data for the entitlements. The DfE's initial indicative allocation for Havering totalled £55.0m, which was based on the DfE's conservative projected data for the entitlements. However, in line with DfE guidance, we have undertaken local forecasting using projected participation, resulting in an estimated allocation of £59.9m for planning and consultation purposes.

The locally projected allocation for 2026-27, with the DfE allocations for comparison, is as follows:

	DfE Indicative	LA Projected	Difference
Under Twos – Working Families	Cohort (PTE)	2,170.64	2,660.25
	Unit of funding	£12.87	£12.87
	Allocation	£15,923,598	£19,515,303
2 Year Olds - Working Families	Cohort (PTE)	2,491.91	2,790.24
	Unit of funding	£9.49	£9.49
	Allocation	£13,479,489	£15,093,244

2 Year Olds - Families Receiving Additional Support (FRAS)	Cohort (PTE)	470.23	380.28	-89.95
	Unit of funding	£9.49	£9.49	£0.00
	Allocation	£2,543,616	£2,057,045	-£486,571
3/4 Year Olds – Universal and Extended	Cohort (PTE)	5,896.06	5,930.82	34.76
	Unit of funding	£6.87	£6.87	£0.00
	Allocation	£23,088,383	£23,224,499	£136,116
Total Funding for distribution		£55,035,086	£59,890,093	£4,855,007

The above allocations will be updated termly based on headcount data, and funding may increase or decrease depending on take-up, similar to the approach that providers are funded for the entitlements.

4.2 Funding Consultation

The Schools Funding Forum was advised on 15th January 2026 of the budget cycle process for Early Years.

Thereafter, the Local Authority produced proposals for the financial year 2026-27 to EYPRG. The proposals that were reviewed were the rates for providers and other Early Years budgetary requirements, for SENIF and Central Retention.

The proposals were discussed with stakeholders, internally and externally, and the final document reflects the agreed position.

The consultation was held online with details sent to all private, voluntary and independent early years providers, and to schools with nurseries, spanning two weeks, concluding on Sunday 1st February 2026. The LA held two webinars during the window of the consultation, and there were two documents issued as part of the consultation, the full comprehensive document and an easy read guide version, to assist with the technical aspects of what the main consultation document includes. The documents are provided in **Appendix 4A** and **Appendix 4B**.

4.3 Outcome

Following the conclusion of the consultation, the outcome of the consultation was shared with EYPRG at the meeting on Tuesday 3rd February 2026, with the results presented as per **Appendix 4C**.

The Early Years Funding consultation for 2026-27 was undertaken with all registered early years providers across the LA.

The consultation survey was issued to 236 providers, representing a range of provision types, and was supported by two online consultation webinars, which received a total of 105 invitations across both sessions.

A total of 58 providers responded to the consultation survey, representing a response rate of 24.6%, compared to 87 responses in the previous year. Responses were received primarily from preschools (44.4%), childminders (17.3%), day nurseries (15.0%) and mainstream schools with nursery classes (32.0%).

4.3.1 Base Rate

Overall, responses demonstrated strong support for the proposed continuation of existing base hourly funding rates across all age groups.

Agreement levels were high for the under two working parents' rate (£11.85), two year old working parents' rate (£8.64), and two year old FRAS rate (£9.20), each receiving over 84% support. The proposed three and four year old rate of £6.02 received a lower, but still clear, majority level of support at 70.7%.

4.3.2 Supplementary Factors

There was strong support for the continuation of deprivation and quality as the only supplementary funding factors for 2026-27, with 81.0% of respondents in agreement. Deprivation funding would continue to be aligned to schools' IDACI rates, and the quality supplement would remain targeted at maintained schools with nursery classes, reflecting the replacement of the Teachers' Pay and Pension Grant (TPPG).

4.3.3 SENIF

Consultation responses showed very high levels of support for the proposed increase in the Special Educational Needs Inclusion Fund (SENIF) to a total budget of £2.313m, with 96.6% of respondents agreeing that the increase was necessary to meet rising demand for SEND support. Comments received emphasised the importance of early intervention and timely support for children with emerging and complex needs, regardless of Education, Health and Care Plan status.

4.3.4 Central Retention

There was also strong support for the proposed central retention of 3% of the Early Years Block to fund local authority support and commissioning services, equating to a budget of £1.797m. 86.2% of respondents agreed with this proposal. While some respondents raised concerns about the impact of retained funding on resources available to providers, the local authority reaffirmed that centrally provided services remain essential in supporting the early years sector and are kept under regular review to ensure value for money.

4.3.5 Additional Comments

A small number of additional comments raised wider issues relating to funding adequacy, provider sustainability, SEND pressures and potential impacts on market sufficiency. The LA acknowledged these concerns, noting that funding rates are determined by the level of grant received from central government and that representations will continue to be made to the DfE where appropriate. The LA also reaffirmed its statutory duty to secure sufficient childcare places and its ongoing monitoring of sufficiency across all age groups.

On the basis of the consultation outcomes, the proposed funding rates, supplementary factors, SENIF budget and centrally retained expenditure are recommended for approval.



Havering
LONDON BOROUGH

Consultation with Early Years Providers on Funding for Financial Year 2026-27

This consultation sets out Havering Council's proposed arrangements for the allocation of Early Years funding for the 2026-27 financial year. It reflects the Department for Education's (DfE) Early Years National Funding Formula (NFF) for 2026-27 and Havering's local priorities, including sustainability of provision, inclusion, and support for children with Special Educational Needs and Disabilities (SEND).

Early Years providers are invited to consider the proposals and submit responses. Feedback will inform final decisions taken by the Local Authority, following consideration by the Early Years Provider Reference Group (EYPRG) and the Schools Funding Forum.

Process

- **Consultation opens:** Tuesday 20th January 2026
- **Consultation closes:** Sunday 1st February 2026
- **EYPRG consideration:** week commencing 2 February 2026
- **Schools Funding Forum consideration:** week commencing 9 February 2026
- **Final confirmation of rates and arrangements:** Saturday 28th February 2026

Final decisions will be confirmed in advance of issuing 2026-27 funding statements.

Responding to the Consultation

All private, voluntary and independent (PVI) providers, childminders, and schools with nursery provision have been sent a link to the online consultation survey.

Responses should be submitted using the online link provided in the consultation email.

For clarification on any aspect of this document, please contact:

Education Finance at: education.finance@havering.gov.uk

Statutory and Regulatory Context

This consultation is issued in accordance with the School and Early Years Finance (England) Regulations and the DfE's ***Early Years Entitlements: Local Authority Funding Operational Guide 2026 to 2027***.

LAs are required to:

- determine local Early Years funding formulae before the start of the financial year,
- consult with early years providers, maintained schools, and the Schools Funding Forum where changes are proposed,
- ensure compliance with national funding conditions, including minimum pass-through rates and supplement limits, and
- ensure transparency, consistency and fairness in the allocation of funding.

The proposals set out in this document have been developed to ensure full compliance with these statutory requirements while balancing local sustainability, sufficiency, and inclusion priorities.

1. Overview of Early Years Funding 2026-27

In developing these proposals, the Local Authority (LA) has considered the potential impact on different provider types, including private, voluntary and independent (PVI) settings, childminders, and maintained schools with nursery classes. The proposals seek to balance:

- compliance with national funding conditions,
- fairness and transparency between provider types,
- sustainability of provision across the borough,
- targeted support where cost pressures are demonstrably higher, and
- protection of funding for inclusion and children with additional needs.

The LA recognises the financial pressures faced by providers and has sought to maximise the proportion of funding passed directly to settings while retaining sufficient capacity to meet statutory duties and provide sector-wide support.

Early Years provision is funded through the Early Years Block of the Dedicated Schools Grant (DSG). Indicative DSG allocations for 2026–27 were issued by the DfE on 17th December 2025, along with the final allocations for the other DSG blocks.

For 2026–27, funding covers the following statutory entitlements:

1. Children aged 9 months to 2 year olds (working parents)
2. 2 year olds of working parents
3. 2 year olds from families receiving additional support (FRAS)
4. 3 and 4 year olds (universal and extended entitlement)

From September 2025, the government extended the working parent entitlement from 15 to 30 hours for eligible children aged 9 months to 2 years and eligible 2 year olds, aligning these entitlements with the 3 and 4 year old offer.

2. National Funding Context and Compliance

As part of the Early Years National Funding Formula (NFF), the DfE applied an annual adjustment to reflect cost pressures, an uplift to reflect the census change, and the consolidation of time-limited grants into the core hourly funding rates.

For 2026–27, the following elements are incorporated into the national and local authority hourly rates:

- cost pressure-based uplifts reflecting inflationary and statutory wage increases, including the National Minimum and Living Wage rise effective from 1 April 2026 (to £12.71 for those aged 21+ and proportionately for younger age groups).
- the roll-in of the Early Years National Teachers' Pay Grant (EYNTPG), including funding linked to pay awards and employer pension contribution increases.

Local authorities are required to use the NFF-determined hourly rates as the basis for their local formulae, while retaining discretion over provider rates, supplements, and central retention within the parameters set by the DfE. However, even with these statutory adjustments, funding often lags behind actual operating costs, particularly in outer London boroughs such as Havering, where rising staffing costs and service demand are acute.

As part of the DSG Early Years National Funding Formula (NFF), the national DfE average funding rates uplifted from 2025-26 to 2026-27 are as follows:

	9 months to 2 year olds (Under Twos)	2 year olds (working parents)	2 year olds (FRAS)	3/4 year olds
2025-26	£11.56	£8.54	£8.54	£6.12
<i>adjusted cost pressure-based uplift</i>	£0.482	£0.347	£0.347	£0.234
<i>roll-in of the EYNTPG</i>	£0.001	£0.015	£0.015	£0.068
<i>census change uplift</i>				£0.189
2026-27	£12.043	£8.90	£8.902	£6.611
Increase (£)	£0.483	£0.362	£0.362	£0.491
Increase (%)	4.18%	4.24%	4.24%	8.02%

3. Havering NFF Rates

The NFF hourly rates determined for the LA, for 2025-26 and 2026-27, are shown in the table below:

	9 months to 2 year olds (Under Twos)	2 year olds (working parents)	2 year olds (FRAS)	3/4 year olds
2025-26	£12.45	£9.17	£9.17	£6.40
2026-27	£12.87	£9.49	£9.49	£6.87
Increase (£)	£0.42	£0.32	£0.32	£0.47
Increase (%)	3.37%	3.49%	3.49%	7.34%

These rates include national cost pressure uplifts, the roll-in of EYNTPG and the increase for the census change, to ensure that funding rates are not impacted by the change approach by the DfE.

Rising costs, including employer National Insurance contributions and the statutory National Minimum and Living Wage increase, have raised concerns about the sustainability of government-funded childcare. Without proportionate increases to the funding rate payable to the local authority, providers could face pressure in maintaining free childcare places over the long term.

Nevertheless, in Havering, most early years providers continue to operate sustainably, and few report severe financial difficulties. The LA's funding arrangements remain robust, supporting a diverse range of delivery models for parents and ensuring high quality provision. The borough has experienced growth in the number of providers delivering funded entitlements and has strengthened support for children with Special Educational Needs and Disabilities (SEND) through its SEN Inclusion Fund (SENIF), refining and targeting resources to maximise impact.

The LA will continue to make representations to the DfE and other relevant bodies to secure a fairer and more sustainable funding settlement.

4. Indicative DfE funding of Havering's Early Years Block funding 2026-27

LA's were notified of the initial allocation of Early Years funding for financial year 2026-27 based on the DfE projected data for the entitlements.

The DfE's initial indicative allocation for Havering totals £55.0m. However, in line with DfE guidance, the Local Authority has undertaken local forecasting using projected participation, resulting in an estimated allocation of £59.9m for planning purposes.

The locally projected allocation for 2026-27, with the DfE allocations for comparison, is as follows:

		DfE Indicative	LA Projected	Difference
Under Twos – Working Families	Cohort (PTE)	2,170.64	2,660.25	489.61
	Unit of funding	£12.87	£12.87	£0.00
	Allocation	£15,923,598	£19,515,303	£3,591,705
2 Year Olds - Working Families	Cohort (PTE)	2,491.91	2,790.24	298.33
	Unit of funding	£9.49	£9.49	£0.00
	Allocation	£13,479,489	£15,093,244	£1,613,755
2 Year Olds - Families Receiving Additional Support (FRAS)	Cohort (PTE)	470.23	380.28	-89.95
	Unit of funding	£9.49	£9.49	£0.00
	Allocation	£2,543,616	£2,057,045	-£486,571
3/4 Year Olds – Universal and Extended	Cohort (PTE)	5,896.06	5,930.82	34.76
	Unit of funding	£6.87	£6.87	£0.00
	Allocation	£23,088,383	£23,224,499	£136,116
Total Funding for distribution		£55,035,086	£59,890,093	£4,855,007

Actual allocations will be updated termly based on headcount data, and funding may increase or decrease depending on take-up.

5. DfE principles of variation in hourly funding rates by age

Hourly funding rates differ by age to reflect the differing costs of delivering high-quality early years provision. The primary factor is staffing ratios, which are legally prescribed (EYFS framework) and higher for younger children to ensure safe care:

- Under Twos: 1 staff member per 3 children
- 2 year olds: 1 staff member per 5 children
- 3 and 4 year olds: 1 staff member (unqualified) per 8 children

Due to younger children needing more staff per child, the staff costs per child are higher. Staff costs make up the largest part of what providers spend on running their setting.

By setting funding rates to reflect staffing ratios, providers can achieve relatively balanced income per staff member across age groups.

For example, based on average ratios and government rates, as per the DfE's recent childcare and early years provider survey (SCEYP 2025):

- Under Twos: £10.43 an hour per child (£31.29/hour per staff member)
- 2 year olds: £7.87 an hour per child (£31.48/hour per staff member)
- 3 and 4 year olds: £5.67 an hour per child (£39.69/hour per staff member)

For childminders, statutory ratios differ, and they often care for children across multiple ages. Funding is not ring-fenced by age, allowing them to use funding flexibly to cover costs across all children. For example, a childminder caring for one child under two, one aged 2, and one aged 3 could achieve £23.97 an hour per staff member (£10.43 + £7.87 + £5.67).

This approach ensures younger children benefit from higher rates while maintaining balanced income across the provider's age range.

The table below demonstrates the funding nationally, based on the SCEYP 2025 survey, and in Havering for the financial year 2025-26:

Entitlement	Average Ratio (SCEYP 2025)	National Average Rate	National Funding per hour	Havering Rate 2025-26	Havering equivalent Funding per hour
Under Twos	1:3	£10.43	£31.29	£11.36	£34.08
Two year olds - working parents	1:4	£7.87	£31.48	£8.29	£33.16
Two year olds – FRAS	1:4	£7.87	£31.48	£8.85	£35.40
Three/Four year olds - universal and extended	1:7	£5.67	£39.69	£5.78	£40.46

6. Scope of Costs Covered by Hourly Funding Rates

The hourly funding rate is intended to cover the core costs of delivering funded hours, including:

- Staff salaries
- Rent, business rates, and utilities
- Other operational costs directly associated with providing funded childcare

The funding rate does not cover:

- Consumables such as meals, snacks, nappies, or sun cream
- Optional activities, trips, events, or specialist tuition

Providers may charge for these additional costs, but charges must not be mandatory or a condition of accessing a funded place.

Providers may also charge for extra privately paid hours, provided these are optional and do not affect access to funded provision.

Further details on allowable costs, optional charges, and compliance requirements are set out in the provider's **Directory Funding Agreement (D&FA)** with the Local Authority, and in the LA's **Early Years Operational Provider Guide**, accessible via the HES portal.

This ensures transparency and compliance with statutory guidance while providing clear reference points for providers on managing additional costs responsibly.

From April 2026, all Early Years entitlements will move to a termly funding model. This aligns funding with actual uptake across the year and ensures more accurate allocations to local authorities. Key points include:

- Funding will be based on termly counts: 13 weeks in summer, 14 weeks in autumn, 11 weeks in spring.
- Termly funding may reduce reported funded hours nationally for 3 and 4 year olds, and the DfE have applied a national-level rate adjustment (+2.94%) to mitigate LA overall funding impact.

This reflects central government policy change, in the way that the funding for the LA's Early Years entitlement is calculated, following the end of the transition of the new entitlements.

8. Teachers Pay and Pension Grants (TPPG) transfer to Early Years Block

In financial year 2026-27, funding for teachers' pay awards, employer pension contributions, and National Insurance is fully incorporated into the Early Years hourly funding rates. This reflects the DfE policy to consolidate previously time-limited grants into core entitlement funding.

Historically, the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG) supported mainstream schools with nurseries, with nationally determined pay awards and increased employer pension costs. These grants were initially introduced in response to:

- the September 2018 teachers' pay award; and
- the April 2019 increase in employer pension contribution rates.

Over successive years, the DfE has integrated these grant values into the Early Years DSG block, progressively uplifting the hourly rates for funded entitlements.

The Early Years National Insurance and Teachers' Pay Grant (EYNTPG) and other legacy grants have now been fully rolled into the national baseline rates.

For 2026-27, the LA proposes the following application for these roll-ins:

- 3 and 4 year olds: legacy grant funding previously targeted at schools to be earmarked specifically to fund the Quality Supplement. This ensures maintained schools with nursery classes can meet staffing requirements, employ qualified teachers, and fulfil pension and National Insurance obligations. £460,000 is earmarked for the Quality Supplement to mainstream schools with nursery classes for financial year 2026-27.
- Other entitlements (Under Twos and 2 year olds): the rolling-in of previous grant funding has not been separated. It is included within the base rate and distributed to all providers, ensuring a fair share of additional funding across the sector.

The DfE's ***Early Years Entitlements: Local Authority Funding Operational Guide*** encourages local authorities to consider the purpose of consolidated grants when allocating funding locally, enabling targeted support for providers facing higher staffing-related costs.

9. Distribution to Providers

9.1 The DfE's "***Early Years Entitlements: local authority funding operational guide 2026 to 2027***" advises Local Authorities as follows in determining the rates for the forthcoming year:

"Local authorities must determine their funding formulae before the beginning of the financial year. Where a local authority proposes to make changes to the early years funding formula it used during the previous financial year, it must first consult its schools forum, maintained schools, and early years providers. Local authorities must also seek approval from their schools forum to agree any entitlements funding they intend to retain to fund central functions. Local authorities are not permitted to amend their funding formulae after the financial year has started."

For the 2026-27 financial year, the DfE requires LAs to pass through a minimum of 97% of Early Years Block funding to providers for each individual entitlement. The LA's proposals have been modelled separately for:

- 9 months old children to up to 2 year olds of working parents (Under Twos),
- 2 year old children of working parents,
- 2 year old children of families receiving additional support (FRAS), and
- 3 and 4 year olds (universal and extended hours).

This ensures compliance with the requirement that the pass-through rate applies independently to each entitlement, rather than across the block as a whole.

For 2026-27, LAs must pass through at least 97% of funding to providers for each entitlement, an increase from 96% in 2025-26, and up to 12% of provider funding may be distributed through supplements. Havering's approach continues to prioritise transparency, stability and sustainability.

In addition:

- centrally retained funding does not exceed the permitted maximum of 3%,
- total planned supplement funding does not exceed 12% of provider funding for any entitlement, and
- a SEN Inclusion Fund is maintained in line with statutory guidance.

No in-year changes to the funding formula will be made once the financial year has commenced.

9.2 Local Authority projected numbers used for Funding Options for 2026-27

The cohort size used in local projections is in line with previous years' modelling, updated to reflect the approach change from the DfE at funding LAs for the overall DSG Early Years entitlements. This is demonstrated in the locally projected allocation in Section 4 of this document.

Numbers for the summer term 2026, autumn term 2026 and spring term 2027 have been calculated by looking at the average change in hours and children, for each term for the last three years, if applicable.

9.3 Principles for the base rate minimum funding levels

The Local Authority models on a sustainable and long-term model of funding. This is evident with the annual increases that has been in place for the base rates for the current entitlements via annual increases, as well as updating the model to calculate the proposals annually.

Base Rate Factor	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2025-26	2026-27*
Under Twos	n/a	n/a	n/a	n/a	n/a	n/a	£11.05	£11.85
2 year old – working	n/a	n/a	n/a	n/a	n/a	n/a	£8.05	£8.64
2 year old – FRAS	£5.35	£5.60	£5.68	£5.76	£5.97	£6.46	£8.59	£9.20
3/4 year old	£4.53	£4.80	£4.90	£5.09	£5.29	£5.34	£5.56	£6.02

*2026-27 rates are those that are being proposed as part of this consultation.

The DfE's **Easy explainer: early years funding rates** advises the following:

"We expect the overwhelming majority of the local authority hourly rate announced by the DfE to support providers with the core costs of providing entitlement hours, but there are several reasons why providers' final rate differs from the DfE hourly rate.

Local authorities are best placed to determine how to use their total funding allocation to meet the needs of their communities. So, using DfE rates as a starting point, local authorities set their own provider hourly rates using their own local formulae. These formulae and the provider hourly rates are different to the rates announced by DfE and are decided at a local level.

Before finalising their local formulae, local authorities must consult with their providers and schools forum to agree any changes to the formulae from the previous year, as well as agree the proportion of funding that the local authority will retain centrally to administer the entitlements."

In line with localised processes, Havering has engaged with stakeholders, and has undertaken reviews via sector feedback, current and future local and DfE Early Years funding rates, and providers' current and previous private charges for the entitlements which form part of the expansion.

9.4 Proposed Provider Funding Rates 2026-27

In setting proposed provider rates, the LA has:

- used the DfE hourly rates as the starting point for modelling,
- applied the increased 97% pass-through requirement separately to each entitlement,
- prioritised increases to base rates wherever possible,
- limited the use of supplements to those required or clearly evidenced, and
- ensured that no provider is disadvantaged relative to statutory minimum requirements.

The sections below set out the proposed rates by entitlement, together with the rationale for each proposal.

9.5 Under Twos (9 months old to up to 2 years old – working families)

This element of the Early Years grant has been in effect since 1st September 2024, and is part of the roll-out of the expansion in the Early Years funding to support children of eligible working families. The entitlement increased from 15 to 30 hours from 1st September 2025.

After consideration of stakeholder views and LA priorities (e.g. SENIF, etc.), the proposed rate to be paid to providers for this new entitlement is £11.85 per hour, which is a 4.31% increase from the 2025-26 funding rate, in line with the DfE's national increase for cost pressure-based uplift.

(i) It is proposed to set the hourly rate for providers for this entitlement to be £11.85.

Q.1	<i>Do you agree for the existing under two – working parents entitlement rate paid to providers to be £11.85?</i>
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9.6 2 Year Olds – Working Parents

This element of the Early Years grant has been in effect since 1st September 2024, and is part of the roll-out of the expansion in the Early Years funding to support children of eligible working parents. The entitlement increased from 15 to 30 hours from 1st September 2025.

After consideration of stakeholder views and LA priorities (e.g. SENIF, etc.), the proposed rate to be paid to providers for this new entitlement is £8.64 per hour, which is a 4.22% increase from the 2025-26 funding rate, in line with the DfE's national increase for cost pressure-based uplift.

Proposal

(i) It is proposed to set the hourly rate for providers for this entitlement to be £8.64.

Q.2	<i>Do you agree for the existing two year old – working parents entitlement rate paid to providers to be £8.64?</i>
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9.7 2 Year Olds Funding – Families Receiving Additional Support (FRAS)

This entitlement has been in place for a number of years and this is to support children from disadvantaged families. This funds 15 hours for those applicable families.

As part of the revised DfE funding arrangements for this entitlement to providers, LAs have to make a provision for SENIF and prospectively a supplement for this entitlement.

The DfE guidance and regulations for this entitlement is as follows:

- a requirement for local authorities to have a disadvantaged 2-year-old rate that is at least equal to their rate for 2-year-old children of working parents
- new deprivation supplement arrangements for the disadvantaged 2-year-old entitlement and the new working parent entitlements

DfE states “*Supporting children from families receiving additional support is a priority. For this reason, we require local authorities, through regulations, to ensure that the final hourly funding rate (that is the base rate, plus supplements if applicable) they pay to each provider for the entitlement for families of 2-year-olds receiving additional support is at least equal to the final hourly funding rate paid to that provider for the 2-year-old working parent entitlement.*

This means local authorities must ensure that no individual provider receives a final hourly funding rate for a child on the entitlement for families of 2-year-olds receiving additional support that is lower than that provider's hourly funding rate for a child taking up the 2-year-old eligible working parent entitlement. It is permissible for local authorities to set a higher final hourly funding rate for the entitlement for families of 2-year-olds receiving additional support.”

After consideration of stakeholder views and LA priorities, the proposed rate to be paid to providers for this new entitlement is £9.20 per hour, which is a 3.95% increase from the 2025-26 funding rate, in line with the DfE's national increase for cost pressure-based uplift.

(i) It is proposed to set the hourly rate for providers for this entitlement to be £9.20, to take effect from 1st April 2026, with no additional supplements. This is in line with the DfE requirements for the overall funding for two year old - Families Receiving Additional Support (FRAS) to be higher than the two year old – working parent entitlement, and support those families who are not able to pay for additional costs (e.g. consumables, etc.) that nurseries may apply.

Q.3	<i>Do you agree for the existing two year old – from families receiving additional support (FRAS) entitlement rate paid to providers to be £9.20?</i>
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9.8 3 & 4 Year Olds Funding

This entitlement has been in place for a number of years and this is to support all 3 and 4 year olds with the universal 15 hours of funded entitlement.

In addition, the 3 and 4 year old entitlement also supports an additional (extended) 15 hours for children of working parents.

After consideration of stakeholder views and LA priorities (e.g. SENIF, etc.), the proposed rate to be paid to providers for this new entitlement is £6.02 per hour, which is a 4.15% increase from the 2025-26 funding rate, in line with the DfE's national increase for cost pressure-based uplift.

Proposal

(i) It is proposed to set the hourly rate for providers for this new entitlement to be £6.02, to take effect from 1st April 2026, with the Quality and Deprivation supplements.

Q.4	<i>Do you agree for the existing three/four year old entitlement rate paid to providers to be £6.02?</i>
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9.9 Supplementary factors

The LA recognises that the use of supplements can be a source of concern for providers, particularly where supplements apply to specific provider types. Havering has therefore limited the use of supplements to those that are either mandatory or clearly linked to identifiable additional costs.

LA's may distribute up to 12% of provider funding through a limited range of supplementary factors. The DfE requires the use of a deprivation supplement and permits a small number of discretionary supplements, provided they are transparent, evidence-based and proportionate.

Havering proposes to use the following supplementary factors:

- Deprivation (mandatory): retained and aligned with the schools' National Funding Formula using IDACI bands.
- Quality (discretionary): retained solely to distribute part of the funding rolled into the Early Years Block in respect of teachers' pay awards and employer pension contributions, targeted at mainstream schools with nursery classes.

All other discretionary supplements (rurality/sparsity, flexibility, EAL) are not proposed for use in 2026-27.

The Quality supplement is not funded by reducing the base rate, which continues to increase for all providers. All providers benefit from a proportion of the rolled-in grant funding through the uplifted base rate. In addition, the use of Quality supplement avoids embedding higher school-specific cost pressures into the universal base rate, which would otherwise disadvantage PVI and childminder providers.

This approach ensures compliance with DfE regulations requiring deprivation to be recognised, reflects DfE guidance encouraging local authorities to consider the purpose of rolled-in teachers' pay funding when designing local distribution, targets funding to providers facing higher staffing-related cost pressures, limits complexity and protects the base hourly rate for all providers, and keeps total supplement funding within the 12% regulatory cap for each entitlement.

It has been agreed previously that the funding rates allocated for deprivation align with those of schools, using the Income Deprivation Affecting Children Index (IDACI), if this were to continue for 2026-27, the budget required would be approximately £600,000 and the funding rates would be as follows using the Autumn 2025 funded claims for 3 and 4 year olds:

Band	Hourly rate		Annual rate (38 weeks x 15 hours)		% change
	2025-26	2026-27	2025-26	2026-27	
A	£0.78	£0.80	£444.60	£456.00	2.6%
B	£0.59	£0.60	£336.30	£342.00	1.7%
C	£0.55	£0.57	£313.50	£324.90	3.6%
D	£0.51	£0.52	£290.70	£296.40	2.0%
E	£0.33	£0.33	£188.10	£188.10	0.0%
F	£0.27	£0.27	£153.90	£153.90	0.0%
G	£0.00	£0.00	£0.00	£0.00	0.0%

For the Quality supplement to mainstream schools with nursery classes, £460,000 is earmarked for this supplement. This will be funded using the Autumn 2025 funded claims from schools for 3 and 4 year olds.

The LA will review the use of supplementary factors again as part of the 2027-28 funding cycle.

Q.5	<i>Do you agree for the continuation of deprivation and quality as the only supplementary funding factors for 2026-27, with deprivation aligned to schools' IDACI rates and quality targeted at maintained schools with nursery classes?</i>
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10. Special Educational Needs Inclusion Fund (SENIF)

10.1 Funding Proposal 2026-27

Since 2025-26, Local Authorities had to extend the SENIF to be funded from all of the Early Years entitlements.

SENIF is in place to support children with additional needs and ensure that they have the resources and aids to thrive within their setting.

SENIF is separated into two parts:

- the Early Intervention and support part of the fund is for children with lower level or emerging SEN, and is primarily for support for adjustments within the setting, and
- Complex needs, which is for children that are on the EHCP pathway and require regular adult support or 1:1.

Training is a core part of the CAD 0-5 offer, there is no requirement for settings to pay or apply for this as it is free to all provisions (childminders, PVIs and maintained schools) at the point of delivery.

The demand for Special Educational Needs Inclusion Fund (SENIF) support in Havering has risen significantly, as reflected in the increasing number of children under five with an Education, Health and Care Plan (EHCP) and the number of children supported by the SEND 0-5 Panel as shown below.

	AY21-22	AY22-23	AY23-24	AY24-25
EHCP – Under 5 *	93	149	227	230
Change (%)		60.2%	52.3%	

*Source: SEN2 Census (Jan-25)

SENIF - Early Intervention above the support from EEE and Termly SENIF								
	SU23	AU23	SP24	SU24	AU24	SP25	SU25	AU25
9 Month					2	0	1	1
2YO	20	15	29	24	20	23	29	39
3+	222	98	178	195	120	162	217	117
Total	242	113	207	219	142	185	247	157

Termly SENIF - Enhancement of OAP								
	SU23	AU23	SP24	SU24	AU24	SP25	SU25	AU25
Claims					28	18	17	37
Total					28	18	17	37

Complex Needs - EHCP and children with complex needs								
	SU23	AU23	SP24	SU24	AU24	SP25	SU25	AU25
9 Month					2	0	1	1
2YO	3	1	11	12	20	23	29	39
3+	66	25	62	122	120	162	217	117
Total	69	26	73	134	142	185	247	157

In response to this growing need, Havering has ensured that the SENIF budget is refined and targeted effectively, enabling early years providers to support children with emerging or complex needs. The local authority's longstanding commitment to the SENIF, which has been in place for over a decade, has been instrumental in maintaining inclusive, high-quality early education. This measure ensures that financial constraints do not become a barrier to inclusion and that children with additional needs receive the support required to thrive in early years settings.

It is proposed that an increase from £1.678m to £2.313m for 2026-27 is applied for the support from SENIF. This is calculated by a 4% contribution from the entitlements, with the exception of the 2 year old FRAS entitlement, where the funding is targeted to support those children via the enhanced base rate for that group.

Q.6	<i>Do you agree that the SENIF budget is increased to £2.313m to meet the additional demand for support?</i>
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10.2 SENIF arrangements

Funding applications have increased exponentially, and the fund is finite. This should be reserved for the most complex cases, and many needs can be met through the support of your Area SENCo/Advisory Teacher, as well as guidance from the Ordinarily Available Provision (OAP), therefore not requiring any applications for SENIF support.

The LA will be reviewing arrangements for SENIF once the roll-out for all the entitlements has fully embedded, to review the increase in the overall eligible cohort and the number of applications and types, to further refine the process to ensure inclusivity across the borough.

The timetable for review will be as follows and any changes will be communicated to all providers, prior to the commencement of the new academic year, effective from 1st September 2026:

- Summer 2026 – continue with current arrangements / review of current arrangements
- Autumn 2026 – continuation or update of current arrangements

11. Central Retention

Local authorities are able to centrally retain funding to lead and support the Early Years sector to deliver excellent quality provision, and to administer the distribution of Early Years Funded Entitlement and related supplements system.

The centrally retained funding supports the Local Authority to deliver their various statutory duties relating to early years, and to ensure sufficient, sustainable, high quality, accessible early education and childcare.

Any reductions to the central retention which funds a range of services, may result in a reduction in the range and amount of advice and support (including financial support) to providers. It is through these central services that we are able to take actions to mitigate any changes brought about by the DfE.

The centrally retained funding is used to fund a number of services and activities across all sectors including mainstream, private, voluntary, independent sectors, and childminders to promote quality and improve outcomes for children in Havering, including;

- Provide support and advice to settings in relation to quality of early education and childcare, Ofsted and statutory requirements, with a focus on settings at requires improvement or inadequate, (Ofsted will soon replace single-word judgements with a new report-card system and a five-point grading scale, with reforms coming into effect from November 2025 and continuing into 2026) as well as providing targeted support around work with vulnerable groups.
- Support and advice to settings in relation to support for children with SEND, with a particular focus on inclusion, quality and early identification of need.
- Meeting the Council's statutory duties to ensure a sufficiency of places for funded 9 months onwards, 2, 3 and 4 year olds across Havering.
- Monitoring and delivering sufficiency.
- Providing support, advice and to promote business sustainability.
- Individual commissioning of provision for the most disadvantaged families.
- Delivering census, compliance with DfE statutory guidance and requirements.
- Brokerage of places for vulnerable children and children identified as disadvantaged.
- Managing the funded entitlement by advising providers, processing, administering and making payments, including support for the Provider Portal.
- Delivering census.
- Maintenance and development of the Provider Portal and linked systems.
- Supporting communications and publicity, including promotional activities to support take-up of funded places, 30 hours, EYPP, Inclusion Fund, and DAF uptake.
- Implement a number of eligibility assessments, including the eligibility for free school meals of a pupil who is being provided with early years provision, the eligibility of a child for prescribed early years provision, or the eligibility of a child for the early years pupil premium.
- Audit functions to ensure compliance and funding has been allocated and spent in line with the regulations and policies in place.
- Strategic and operational leadership and management of the early years system and its finances.
- Deliver targeted marketing to promote the FRAS offers, encouraging families to reconfirm their codes and apply for childcare places via social media platforms, while also supporting providers who are experiencing difficulties filling their vacancies.

The distribution set by the DfE for central retention means that an LA can only use a maximum of 3% for central support, and the remaining 97% is paid direct to providers.

The LA has put in place the infrastructure in order to support the additional demands as a result of the roll-out.

In order to enable the LA to continue its support to providers and meet its obligations to the DfE, it is proposed to retain the reduced maximum permitted level of 3% for central retention.

The proposed amount will be a decrease from £1.893m to £1.797m for 2026-27, broken down as follows for the different entitlements:

Under Two	Two Year Old - Working Parent	Two Year Old - Disadvantaged	Three/Four Year Old (Universal/Extended)	Total
2025-26	£538,199	£363,930	£100,476	£1,892,771
2026-27	£585,459	£452,797	£61,712	£1,796,703
%	3.00%	3.00%	3.00%	3.00%
Change	£47,260	£88,867	-£38,764	-£96,068

This will enable the LA to build on the structure for the current year for central support, that includes and not limited to the following, supporting the BSIL programme, alignment of the SEND 0-5 Central Support, recruitment for staff in order to undertake the additional workload as part of the expansion, additional costs due to inflationary factors, and the continuation of training courses and support for providers. This list is not exhaustive and the LA is continuously reviewing the central support arrangements, to put in place a service that fulfils its obligations to the sector.

The breakdown of services currently and to be funded from this are as follows:

Service	2025-26 (£,000)	2026-27 (£,000)	Change (£,000)	
Audit	40	0	-40	Discontinuation of separate provision - part of EY Admissions and Organisation functions for compliance
Database and Local Offer	230	103	-127	Efficiencies and other schemes cross-funding
Early Years Admissions and Organisation	489	526	37	Additional capacity for compliance and monitoring
Early Years Quality and Assurance Team	445	468	22	Additional capacity to support Early Years and BSIL programme
Finance	132	115	-17	Efficiency as part of overall finance support review
SEND 0-5 Central Support	556	584	28	Additional capacity to support Early Years and BSIL programme
Grand Total	1,892	1,797	-95	

This distribution reflects a shift towards frontline statutory delivery and inclusion, offset by efficiencies in systems and back-office functions.

Q.7	<i>Do you agree that the central retained budget for LA support is set at 3%, with a budget of £1.797m?</i>
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Early Years Funding Consultation 2026-27 Summary Guide

This guide is to help you understand what Havering Council is proposing for Early Years funding in 2026-27. It does not replace the full consultation document (**Consultation with Early Years Providers on Funding for Financial Year 2026-27**), which contains the official detail.

Why are we consulting?

Each year, councils must decide how Early Years funding will be shared between providers. Before making changes, we must consult with nurseries, childminders, schools, and other partners.

This consultation explains:

- how much funding Havering expects to receive from the government,
- how that funding could be shared locally from April 2026, and
- what this means for different types of Early Years providers.

Your feedback will help shape the final decision.

Where does Early Years funding come from?

Early Years funding comes from the Department for Education (DfE) through the Early Years Block of the Dedicated Schools Grant.

Funding is provided for:

- children aged 9 months to 2 year old (working parents),
- 2 year olds (working parents),
- 2 year olds from families receiving additional support (FRAS), and
- 3 and 4 year olds (universal and extended entitlement).

From September 2025, eligible working parents of children aged 9 months to 2 years receive up to 30 funded hours, aligning with the 3 and 4 year old offer.

What is changing nationally?

For 2026-27, the government has:

- increased hourly funding rates to reflect rising costs (including wages),
- fully built teachers' pay, pension and national insurance funding into the hourly rates,
- moved all Early Years entitlements to a termly funding model from April 2026, and
- increased the amount councils must pass directly to providers to at least 97% of funding for each entitlement.

What is Havering proposing?

Havering Council is proposing to:

- increase base hourly rates for all funded age groups,
- continue using only essential supplements (deprivation and quality),
- increase the Special Educational Needs Inclusion Fund (SENIF) to meet growing demand,
- retain central funding at the maximum allowed 3% to support the sector, and
- comply fully with all DfE funding rules.

Proposed hourly funding rates for providers

The current and proposed base rates paid to providers (before any supplements) are:

Entitlement	2025-26 rate	Proposed 2026-27 rate
Under Twos	£11.36	£11.85
Two year olds - working parents	£8.29	£8.64
Two year olds – FRAS	£8.85	£9.20
Three/Four year olds - universal and extended	£5.78	£6.02

The proposed rates' increases reflect national uplifts and local modelling.

Why are rates different by age?

Younger children need more staff per child, which costs more.

Funding rates reflect these legally required staffing ratios, so that providers receive broadly similar funding per staff member across age groups.

What costs does funding cover?

Hourly funding is intended to cover:

- staff wages and on-costs,
- rent, utilities, and business rates,
- day-to-day operational costs.

It does not cover:

- meals, snacks, nappies or consumables,
- optional trips or activities.

Providers may charge for these extras, as long as access to funded hours is not affected.

Please note that funding for FRAS and EYPP may be used to support those families who are not able to pay for additional costs (e.g. consumables, etc.) that nurseries may apply.

Supplements – what's staying the same?

Havering proposes to continue using:

- Deprivation supplement (mandatory), using IDACI bands aligned with schools.
- Quality supplement (discretionary), paid only to maintained schools with nursery classes, reflecting higher staffing and pension costs.

No other supplements (such as EAL, flexibility, quality) are proposed.

Support for children with SEND – SENIF

Demand for SENIF has increased significantly.

Havering proposes to:

- increase the SENIF budget from £1.678m to £2.313m,
- fund SENIF from Early Years entitlements
- continue to support both early/emerging needs and complex needs.

SENIF arrangements will be reviewed once the expanded entitlements are fully embedded.

Central support – why does the council retain funding?

By law, councils may retain up to 3% of Early Years funding.

This funds:

- SEND and inclusion support,
- quality improvement and Ofsted support,
- sufficiency planning and place management,
- processing claims and payments,
- compliance, audits, and provider support systems.

Havering proposes to retain 3% (£1.797m) in 2026-27, which is lower than in 2025-26 due to efficiencies.

What are we asking you?

The consultation asks whether you agree with:

- the proposed hourly funding rates,
- the continued use of deprivation and quality supplements,
- the increased SENIF budget, and
- the level of central funding retained.

How to respond

Complete the online survey link sent to you.

The consultation runs from 20th January to 1st February 2026.

EYPRG 3rd February 2026

ITEM 4 – Appendix 4C

Subject Heading:

Early Years Funding 2026-27

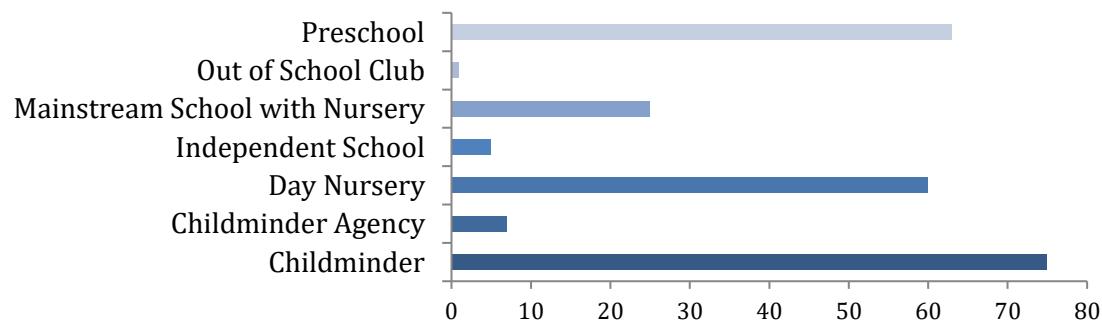
Report Author:

**Hany Moussa – Principal Education
Finance Officer**

1. Early Years Funding Consultation 2026-27

1.1 Providers consultation survey

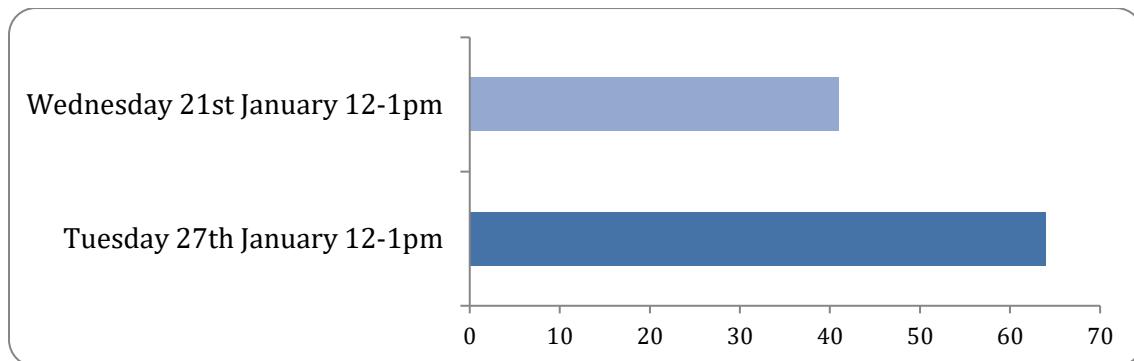
Number of providers survey sent to: **236 (previous year : 261)**



Provider Type	Total
Childminder	75
Childminder Agency	7
Day Nursery	60
Independent School	5
Mainstream School with Nursery	25
Out of School Club	1
Preschool	63
Total	236

1.2 LA Consultation Webinar

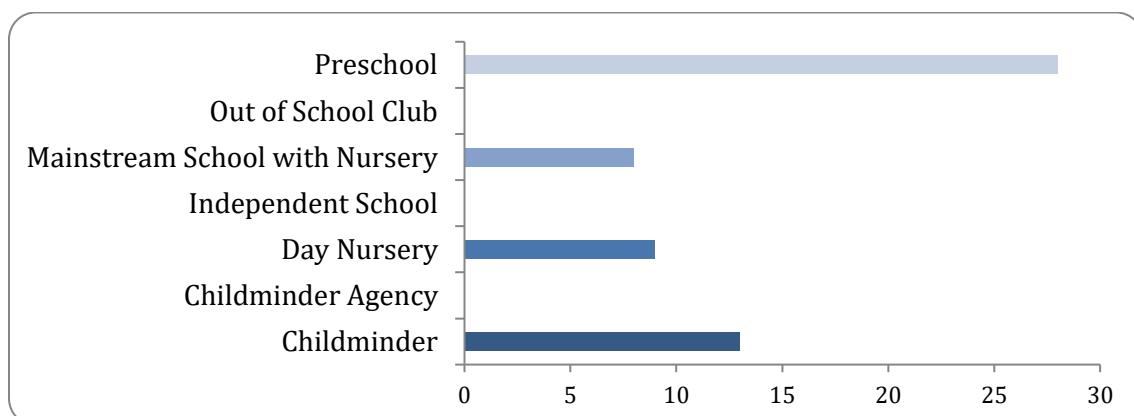
Number of providers survey sent to: **236**



Webinar	Total
Wednesday 21st January 12-1pm	41
Tuesday 27th January 12-1pm	64
Total Invites sent	105

1.3 Providers responding to consultation survey

Responses to this survey: **58** (previous year : 87)

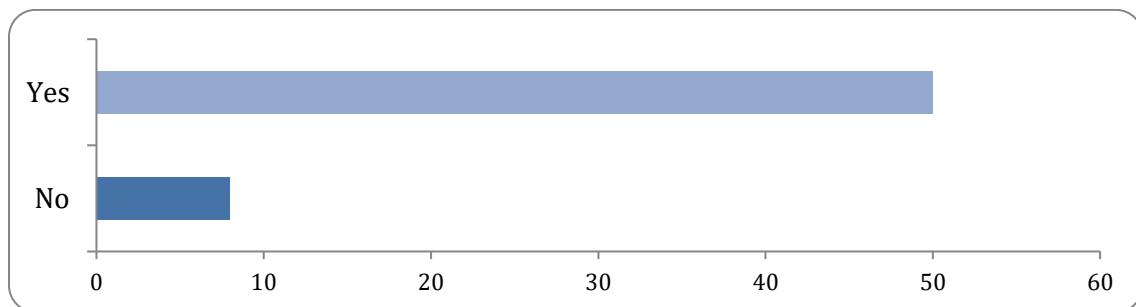


Provider Type	Total	Percent
Childminder	13	17.3%
Childminder Agency	0	0.0%
Day Nursery	9	15.0%
Independent School	0	0.0%
Mainstream School with Nursery	8	32.0%
Out of School Club	0	0.0%
Preschool	28	44.4%
Total	58	24.6%

2. Consultation Responses

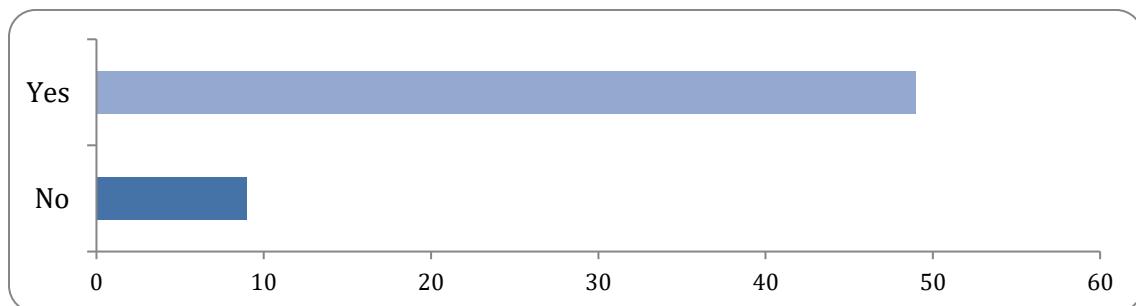
1: Do you agree for the existing under two – working parents entitlement rate paid to providers to be £11.85?

There were 58 responses to this part of the question.



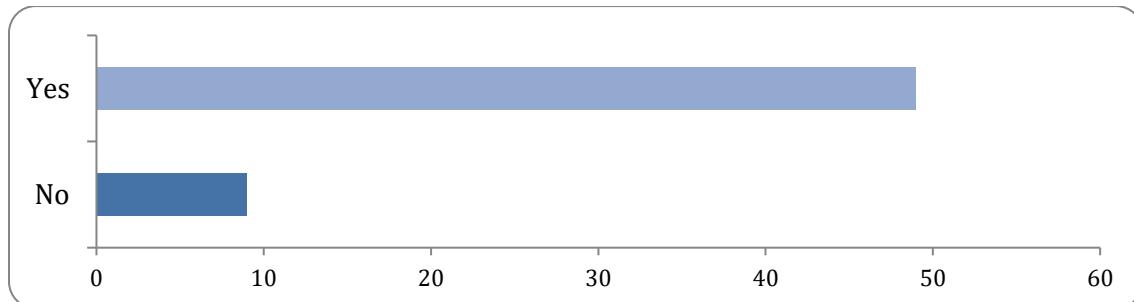
2: Do you agree for the existing two year old – working parents entitlement rate paid to providers to be £8.64?

There were 58 responses to this part of the question.



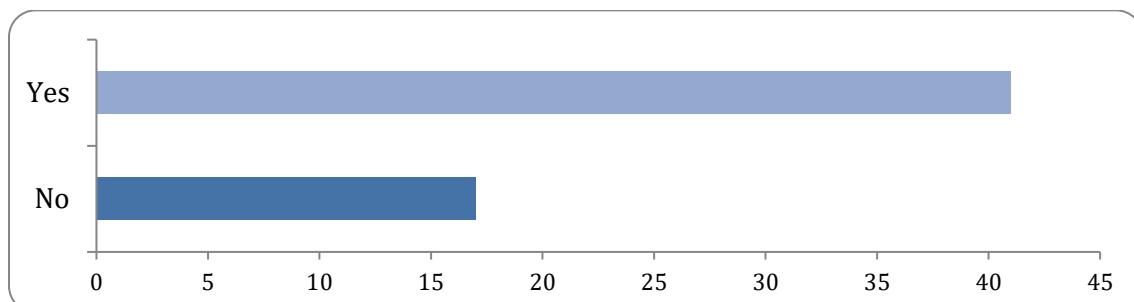
3: Do you agree for the existing two year old – from families receiving additional support (FRAS) entitlement rate paid to providers to be £9.20?

There were 58 responses to this part of the question.



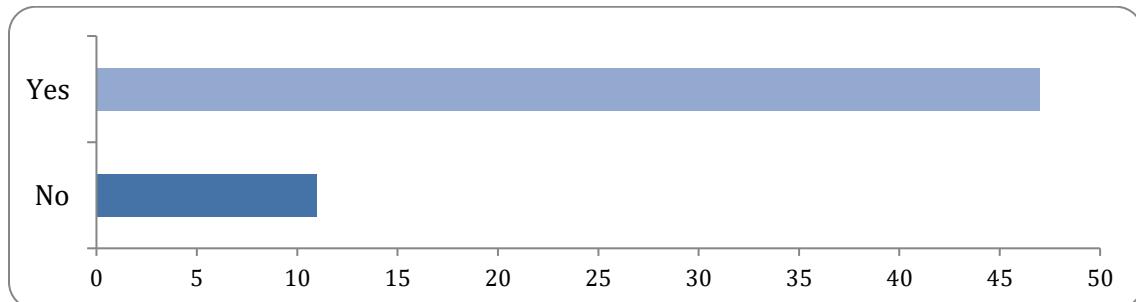
4: Do you agree for the existing three/four year old entitlement rate paid to providers to be £6.02?

There were 58 responses to this part of the question.



5: Do you agree for the continuation of deprivation and quality as the only supplementary funding factors for 2026-27, with deprivation aligned to schools' IDACI rates and quality targeted at maintained schools with nursery classes?

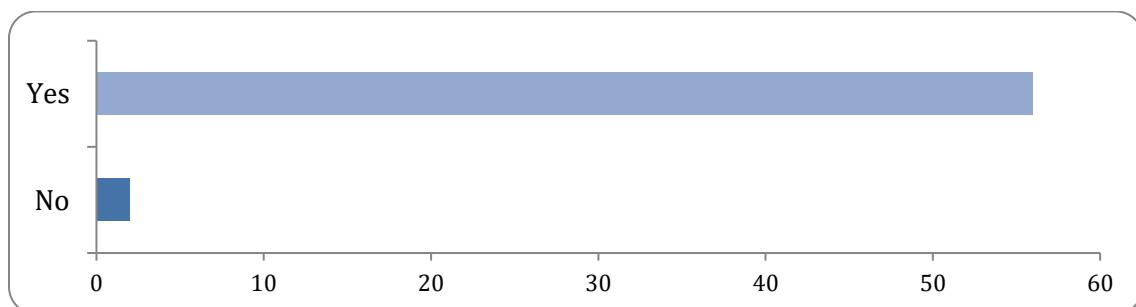
There were 58 responses to this part of the question.



Option	Total	Percent
Yes	47	81.0%
No	11	19.0%

6: Do you agree that the SENIF budget is increased to £2.313m to meet the additional demand for support?

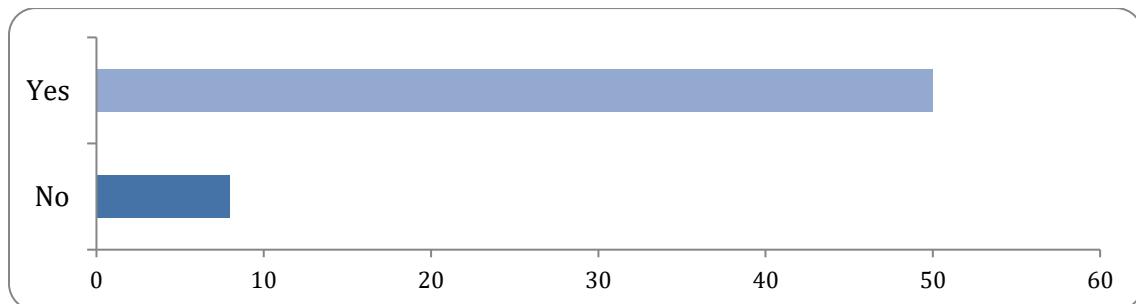
There were 58 responses to this part of the question.



Option	Total	Percent
Yes	56	96.6%
No	2	3.4%

7: Do you agree that the central retained budget for LA support is set at 3%, with a budget of £1.797m?

There were 58 responses to this part of the question.



Option	Total	Percent
Yes	50	86.2%
No	8	13.8%

8: Any further comments?

There were 12 responses to this part of the question, and the comments have been summarised into categories with the LA response.

Comment	LA Response
Adequacy of funding levels / minimal increase	The LA recognises the financial pressures facing early years providers. Funding rates reflect the level of grant received from central government. The Authority continues to raise concerns regarding funding adequacy and will make representations to the DfE where appropriate.
Central Services and retained funding	Central services remain a core function in supporting early years providers. The LA regularly reviews service delivery to ensure it is effective, proportionate and represents value for money.
Charging for meals and additional services	Providers are reminded to refer to the Directory and Funding Agreement (D&FA) and the Early Years Operational Provider Guide for guidance on charging for additional services.
Childminder sustainability and parity with larger settings	The LA values the role of childminders within the early years system and acknowledges the pressures highlighted. Funding decisions are made in line with national guidance, and engagement with childminders will continue.
Early intervention and SEND pressures	The LA remains committed to supporting inclusion and early intervention. SENIF continues to be targeted to support children with emerging and complex needs, enabling timely support regardless of EHCP status.
Market impact and sufficiency risks	The LA notes concerns regarding potential impacts on provider behaviour and place availability. Ensuring sufficient childcare places remains a statutory duty, and the Authority will continue to monitor sufficiency across all age groups.
Parity of funding rates across age bands	Local base rates are determined by the DfE through the Early Years National Funding Formula. Funding allocations are calculated separately for each entitlement and age group, and the LA is required to apply these in line with national requirements.

3. Recommendations for consideration at Schools Funding Forum

Following consideration of the consultation responses and stakeholder feedback, EYPRG is recommended to propose the following for approval at the Schools Forum for the 2026-27 financial year.

1. The base hourly rate for:
 - a. 9 months to two year olds (under twos) entitlement - **£11.85 per hour**
 - b. two year olds – working parents’ entitlement - **£8.64 per hour**
 - c. two year olds – disadvantaged families’ entitlement - **£9.20 per hour**
 - d. three/four year olds (universal and extended) entitlement - **£6.02 per hour**
2. The level of a quality supplement to allocate funds to schools replacing the teachers’ pay and pension grants (TPPG) – **Quality factor budget of £460,000**
3. **Deprivation rates of funding continue to be aligned with the rates that are used for schools in the National Funding Formula as per the table below**

	Hourly rate	Annual rate (38 weeks x 15 hours)
Band	2026-27	2026-27
A	£0.80	£456.00
B	£0.60	£342.00
C	£0.57	£324.90
D	£0.52	£296.40
E	£0.33	£188.10
F	£0.27	£153.90
G	£0.00	£0.00

4. **SEN Inclusion Fund (SENIF) to support providers total budget of £2.313m.**
5. **Centrally retained budget for LA support and commissioning total budget of £1.797m.**

4. Budget distribution of Early Years Block 2026-27

Budget Distribution	Under Two	Two Year Old - Working Parent	Two Year Old - FRAS	Three/Four Year Old (Universal / Extended)	Total	% of Projected Allocation - Overall
LA Projected 26-27 Allocation*	£19,515,303	£15,093,244	£2,057,045	£23,224,499	£59,890,093	100.0%
Base Rate	£18,149,232	£14,036,717	£1,995,334	£20,538,784	£54,720,068	91.4%
Deprivation Supplement	£0	£0	£0	£600,000	£600,000	1.0%
Quality Supplement	£0	£0	£0	£460,000	£460,000	0.8%
SENIF	£780,612	£603,730	£0	£928,980	£2,313,322	3.9%
Total Distribution to Providers	£18,929,844	£14,640,447	£1,995,334	£22,527,764	£58,093,390	97.0%
% of Initial Allocation – Entitlement	97.0%	97.0%	97.0%	97.0%	97.0%	3.0%
Education Central Support Services 2026-27	£585,459	£452,797	£61,711	£696,735	£1,796,703	3.0%

Agenda Item 6



Schools Funding Forum 12th February 2026

ITEM 5

Subject Heading:	High Needs Funding 2026-27
Report Author:	Hany Moussa – Principal Education Finance Officer
Eligibility to vote:	All Forum members

SUMMARY

This report sets out proposals for 2026-27 relating to:

- An increase to unit placement funding rates, and
- Updated top-up funding levels for pupils in mainstream schools, based on agreed needs bandings.

The report also provides the financial context for these proposals, including current expenditure pressures within the High Needs Block (HNB).

These topics were considered by the High Needs Working Group and the recommendations are presented for Schools Forum members' agreement.

RECOMMENDATIONS

That the Schools Funding Forum:

1. Notes the financial position of the High Needs Block for 2026-27
2. Agrees the proposed increase to unit placement funding rates for 2026-27
3. Agrees the proposed 2026-27 mainstream top-up band values
4. Notes that the proposed increases are funded through a transfer from the Schools Block and do not address underlying demand pressures within the High Needs Block.

REPORT DETAIL

5.1 Background

The DSG High Needs Block supports children and young people with Special Educational Needs and Disabilities (SEND) across a range of settings, including:

- Maintained and academy special schools,
- Special units attached to mainstream schools,
- Top-up funding for pupils with Education, Health and Care Plans (EHCPs) in mainstream settings,
- Alternative Provision, and
- Central inclusion and statutory SEN services.

Harvering operates a highly inclusive system, with the majority of pupils with EHCPs educated in mainstream schools. While this approach delivers positive outcomes and represents value for money when compared to out-of-borough placements, the level of demand continues to significantly exceed available funding.

5.2 High Needs Expenditure 2025-26

The table below shows forecast High Needs Block expenditure for 2025-26.

	Forecast as @P9
Harvering Special Schools	18,219
Out of Borough Maintained Schools	3,898
Primary Top-Up	20,742
Secondary Top-Up	9,320
ARPS and Special Units	4,945
Post 16	3,544
Early Years	663
Independent and Non Maintained	7,526
Alternative Provision	4,202
Inclusion and Central Support	3,113
TOTAL EXPENDITURE	76,173
Funding available	-44,769
In-Year Deficit	31,404

The forecast in-year deficit of £31.4m, when added to previous years, results in a cumulative DSG deficit of £67.7m.

It should be noted that there is still one term to go and there is a large backlog of assessments, and new updated guidance in respect of LAC responsibilities, so there is still scope for the forecast to move. The range of estimates for the year are from £28m to £34m.

5.3 High Needs Expenditure 2026-27

For 2026-27, the DfE has not applied its full funding formula and has instead rolled forward funding broadly in line with 2025-26 allocations, adjusted only for in-year grants.

Havering 25-26 Baseline Funding	£49,453,340
Grant Allocations for Special Schools etc	£219,692
Special/AP Schools and Academies grant	£1,642,400
Grant funding for SSUs and ARPS	£82,884
<i>HNB before Import/Export</i>	£51,398,316
Import/Export Adjustment (will be updated)	-£2,094,000
HNB before deductions/recoulement	£49,304,316

This represents no real-terms increase and does not reflect rising demand or cost pressures. As a result, the DSG deficit will continue to grow.

Previously, Schools Forum has also approved a £1.349m transfer from the Schools Block to support High Needs pressures in 2026-27.

The High Needs Working Group noted the on-going pressure to the High Needs block due to the increase demand and the additional inflationary pressures, and the LA has tabled the following proposed increases to Cabinet for consideration and approval in the meeting due to be held in mid-February.

5.3.1 Specialist Unit Funding

In 2025-26, Cabinet approved a revised funding rate of £30,000 per place for pupils supported in special units. This was widely welcomed by schools.

For 2026-27, the rolling-in of the Special Units grant and an uplift to reflect staffing cost pressures, allow the unit placement rate to increase to £30,800 per place.

This proposed increase ensures that unit provision remains financially viable and continues to support inclusive local provision.

5.3.2 Mainstream Top-Up Funding: Banding Model

Over the past year, the LA has worked with schools to implement a needs-based banding system for mainstream top-up funding. This approach provides transparency, consistency and equity in funding allocations.

As part of the review of the arrangements for funding for 2026-27, the band values have been uplifted by 3% to reflect pay pressures, and the total cost of the uplift is £1.219m. This cost is fully funded through the approved Schools Block transfer.

Alongside the implementation of the banding model, the SEND service is continuing to work closely with schools and other key stakeholders to refine the banding descriptors, associated guidance and support arrangements. This work is focused on ensuring that bands are clearly understood, consistently applied and appropriately aligned to levels of need. On-going engagement is also supporting review of how funding flows through

the model in practice, so that it operates transparently, supports inclusive practice in mainstream schools and makes best use of the available High Needs resources.

The proposed banding rates for 2026-27 are as follows:

Band (Finance)	Weekly Notional SEN	Weekly SEN Top-up	Total weekly amount of support
A	£153.06	£0.00	£153.06
B	£153.06	£156.56	£309.62
C	£153.06	£259.56	£412.62
D	£153.06	£362.56	£515.62
Ep (Primary)	£153.06	£517.06	£670.12
Es (Secondary)	£153.06	£568.56	£721.62
F	£153.06	£723.06	£876.12
G	£153.06	£1,186.56	£1,339.62

The first element of support continues to be met from schools' delegated budgets, with High Needs funding providing additional support according to assessed need.

Demand for High Needs provision continues to rise significantly faster than available funding and the 2026-27 High Needs Block settlement represents a holding position and does not address underlying pressures.

The proposed increases to unit placement rates and mainstream top-up band values are necessary to maintain current provision and are funded through agreed transfers. These measures do not reduce the DSG deficit, but they do provide stability and clarity for schools in 2026-27.