



Schools Funding Forum 15th January 2026 ITEM 7

Subject Heading:	Early Years Funding 2026-27
Report Author:	Hany Moussa – Principal Finance Officer
Eligibility to vote:	Information only

SUMMARY

RECOMMENDATIONS

The Schools Funding Forum:

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

REPORT DETAIL

1. Funding arrangements for 2025-26

The funding rates for 2025-26 for providers in Havering were originally agreed in February 2025.

Funding rates for 2025-26 are as follows:

Funding Factor	Funded age of the child	2025-26 Funding Rate
Factor 1 Base rate	9 months to two year olds (Under twos)	£11.36 per hour
	Two year olds – working parents	£8.29 per hour
	Two year olds – FRAS (disadvantaged families) (includes an in-built deprivation rate)	£8.85 per hour
	Three and four year olds Universal 15 hours funding Extended 30 hours funding	£5.78 per hour
Factor 2 Deprivation Funding rate	Three and four year olds	IDACI A - £0.78 per hour IDACI B - £0.59 per hour IDACI C - £0.56 per hour IDACI D - £0.51 per hour IDACI E - £0.33 per hour IDACI F - £0.27 per hour
Factor 3 Early Years Pupil Premium (EYPP)	9+ month, two, three and four year olds	£1.00 per hour
Factor 4 Disability Access Funding (DAF)	9+ month, two, three and four year olds	£938 per annum
Factor 5 SENIF – Complex Needs / EHCP	9 months to two year olds (Under twos)	£7.64*
	Two year olds – working parents	£10.71*
	Two year olds – disadvantaged families	£10.15*
	Three and four year olds	£13.22*

* SENIF - This is the sum required to bring the total hourly funding for a child to £19.00.

2. Indicative Early Years Block allocation 2025-26

As part of the expansion of funded childcare announced in the Spring Budget 2023, eligible working parents can now access 15 hours of funded childcare for their two year olds from April 2024, and for children aged 9 months and over from September 2024. This forms part of the government's phased rollout, under which eligible working parents will receive 30 hours of funded childcare per week for children aged 9 months to 4 years from September 2025.

The funding rates for Havering for 2025-26 and the indicative funding rates for 2026-27 are as follows:

Age	2025-26 Total rate £	2026-27 Total rate £	Change £	Change %
Under 2 year olds	12.45	12.87	0.42	3.37

Age	2025-26 Total rate £	2026-27 Total rate £	Change £	Change %
2 year olds	9.17	9.49	0.32	3.49

Age	2025-26 Total rate £	2026-27 Total rate £	Change £	Change %
3/4 year olds	6.40	6.87	0.47	7.34

The 2025-26 total funding rate for 3 and 4 year olds is £6.40. This incorporates:

- a 24p (3.90%) rise from 2024-25
- the Early Years Supplementary Grant of 19p, and
- the grants for teachers' pay and pensions from 2022-23 to 2024-25, which were previously paid separately in each of the applicable years to maintained schools with nurseries, totalling 21p.

For 2026-27 the DfE are permanently moving to a termly census for all entitlements aiming to improve the accuracy of the funding system, so there will be 3 headcounts per term rather than an annual spring count, timed to align with existing school census dates.

Since termly attendance data suggests attendance across the year is lower than spring attendance levels, this change is expected to reduce 3 and 4 year old funding allocations nationally.

To keep funding stable, a compensatory adjustment has been applied to uplift 3 and 4 year old rates supporting the transition to a termly funding approach.

The funding rate for 2026-27 with the termly funding adjustment is £6.87, which is a further rise of 47p (7.34%). This includes:

- annual cost pressure based uplift less DfE reduction (21p)
- compensatory uplift for the move to termly census data adjustment (19p)
- additional funding to reflect the 25-26 early years National Insurance contributions and teacher's pay grant (EYNTPG) (7p)

DfE Indicative allocations for 2026-27 have been calculated by applying the 2026-27 hourly funding rates to January 2025 data.

2.1. The table below shows a comparison between the indicative figures released by the DfE across 2026-27 and 2025-26.

Category	2026-27	2025-26	Change in numbers	Change £	Change %
3 and 4 year olds					
Hourly rate (£ / hr)	6.87	6.40	-	0.47	7%
Estimated number of children (Part Time Equivalent)	5,930.82	6100.39	-169.57	-	-3%
Indicative funding allocation (£s)	23,224,499	22,254,223	-	970,276	4%
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2 year old – FRAS entitlement					
Hourly rate (£ / hr)	9.49	9.17	-	0.32	3%
Estimated number of children (Part Time Equivalent)	380.28	480.57	-100.29	-	-21%
Indicative funding allocation (£s)	2,057,045	2,511,892	-	-454,847	-18%
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2 year old – Working Parent entitlement					
Hourly rate (£ / hr)	9.49	9.17	-	0.32	3%
Estimated number of children (Part Time Equivalent)	2790.24	1740.66	1049.58	-	60%
Indicative funding allocation (£s)	15,093,244	9,098,256	-	5,994,988	66%
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9 months to 2 years old					
Hourly rate (£ / hr)	12.87	12.45	-	0.42	3%
Estimated number of children (Part Time Equivalent)	2660.25	1896.00	764.25	-	40%
Indicative funding allocation (£s)	19,515,303	13,454,965	-	6,060,338	45%
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Total early years block (£s)	59,890,093	47,319,350	-	12,570,743	27%

The indicative figures for 2025-26 and 2026-27 include the funding added into the hourly rate to replace the teachers' pay and pension grants.

As per the changes for the basis of LA funding, the DfE will be updating the indicative allocations for the entitlements for 2026-27, based on the actual take-up for each term, collected through the 3 termly headcounts.

The termly collections will coincide with the termly schools Census headcount and will be for the following terms and funded weeks of the Early Years entitlement:

- Summer Census (13 of the funded 38 weeks) - update in November
- Autumn Census (14 of the funded 38 weeks) - update in March
- Spring Census (11 of the funded 38 weeks) - update in July (of the following financial year)

3. Determining funding rates for providers 2026-27

For 2026 to 2027, the pass-through rate requirement has increased from 96% to 97%, and will apply separately to each individual entitlement for:

- 9 months old, up to 2-year-olds of working parents (under two year olds)
- 2 year old children of working parents
- 2 year-old children from disadvantaged families
- 3 and 4 year olds (universal and additional hours)

For 3 and 4 year olds, there is no change to current arrangements, and the pass-through requirement will apply to the universal and additional hours in combination.

Whereas, for 2 year olds and under two year olds, the requirement will apply to each of the entitlements individually.

If a local authority intends on having a single funding formula for both of the 2 year old entitlement funding streams (children of working parents and children from disadvantaged families), the pass through will have to be calculated separately for each of these. The DfE have set these arrangements to prevent cross-subsidisation between the working parent formula and the disadvantaged formula.

The Local Authority has met with the Early Years Provider Reference Group (EYPRG) to discuss funding for 2026-27 and to agree the content of the consultation with providers, and the LA is working on the document at the time of this publication.

As part of the feedback and engagement with education stakeholders, the LA will host 2 webinars as part of the consultation roll out, to help stakeholders make an informed response to the consultation.

Following the conclusion of the consultation, the outcome of the consultation will be shared with EYPRG and the resulting proposals brought to the meeting of the Schools Funding Forum on 12th February 2026 for approval.

4. Financial Year 2026-27 indicative pre-consultation rates

The below table demonstrates what the LA will be consulting on as part of the Early Years consultation. The below shows the different rates and factors as part of the LA proposals. It is subject to consultation and the indicative funding rates for 2026-27 for providers will be agreed in February.

Funding Factor	Funded age of the child	2025-26 Funding Rate
Factor 1 Base rate	9 months to two year olds (Under twos)	£11.85 per hour
	Two year olds – working parents	£8.64 per hour
	Two year olds – disadvantaged families (includes an in-built deprivation rate)	£9.20 per hour
	Three and four year olds Universal 15 hours funding Extended 30 hours funding	£6.02 per hour
Factor 2 Deprivation Funding rate	Three and four year olds	IDACI A - £0.80 per hour IDACI B - £0.60 per hour IDACI C - £0.57 per hour IDACI D - £0.52 per hour IDACI E - £0.33 per hour IDACI F - £0.27 per hour
Factor 3 Early Years Pupil Premium (EYPP)	9+ month, two, three and four year olds	£1.15 per hour*
Factor 4 Disability Access Funding (DAF)	9+ month, two, three and four year olds	£938 per annum*
Factor 5 SENIF – Complex Needs / EHCP	9 months to two year olds (Under twos)	£8.15
	Two year olds – working parents	£11.36
	Two year olds – disadvantaged families	£10.80
	Three and four year olds	£13.98

*EYPP - funding has increased by 15p to be £1.15 per hour for financial year 26-27 claims, equivalent to up to £655.50 per eligible child per year (up from financial year 25-26 level of £570.00). EYPP is to support better outcomes for eligible Under Twos to 3 and 4-year-olds.

*DAF - DAF funding has increased by £37 to be £975 per eligible child per year for financial year 26-27. DAF is to help providers make reasonable adjustments within their provision to support eligible Under Twos to 3 and 4-year-old children claiming DLA.

* SENIF - This is the sum required to bring the total hourly funding for a child to £20.00.

5. Early Years National Insurance Contributions and Teachers' Pay Grant

In the financial year 2026-27, the DfE have made funding adjustments to incorporate increases to teachers' pay from September 2025 and the increase in National Insurance contributions in schools into the hourly funding rates for 3 and 4 year olds.

This aligns with previous practices, such as funding for teachers' pay and pensions in 2024-25 and 2026-27 and consolidating the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG) into the entitlement rates in earlier years.

Historically, these grants were separate to address the increased costs from a 2018 pay rise and 2019 pension rate increase in schools. By 2023-24, these funds were integrated into Early Years funding, raising the hourly rate by 7p to support the associated costs. The 2023 and 2024 STRB recommendations of a 6.5% and 5.5% pay award, led to additional grant funding rolled into the 2024-25 and 2025-26 funding rates to mitigate the impacts of the pay increase and employer pension contribution adjustments.

Following the grants being absorbed into the Early Years rate, mainstream schools with nurseries, which previously received these separate grants, were eligible for the new supplement of Quality, that helped address the additional costs they faced.

In the three and four year old indicative allocations for 2026-27, the additional hourly rate of funding received as a result of the rolling in of the pay and pension grants is 7p. The equivalent amount for 2025-26 was 21p as this incorporated the grants for teachers' pay and pensions from 2022-23 to 2024-25, which was previously paid separately in each of the applicable years to maintained schools with nurseries at 7p per year. Therefore over years, there has been a total of 28p absorbed into the three and four year old NFF rate, as well as the introduction of 0.1p to the under twos and 1.5p to the two year old LA's NFF rate.