

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	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

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.