

Report subject	Early Years Single Funding Formula 2026/27
Meeting date	23 February 2026
Status	Public Report
Executive summary	<p>This report sets out the outcome of the 2026/27 Early Years Funding consultations, and proposals for decision as outlined below. This is to ensure the Council meet its statutory requirements as per the Schools Forum regulations and Early Years Financial Regulations.</p> <p>The Early Years Sub-Group, comprising representatives from a range of local provider types, has engaged constructively with the proposal and provided valuable input throughout its development. A key preference expressed by members was for the local consultation to be timed to follow the DfE's announcement of national funding rates, while avoiding the Christmas period. This would ensure that providers are able to consider the local approach with full sight of confirmed funding levels. The DfE confirmed the national funding formulae and hourly rates for local authorities for the 2026/27 financial year on 15 December 2025, alongside the expectation that local authorities will pass through a minimum of 97% of this funding to providers.</p> <p>For 2026–27, the Council proposes to maintain stability in the Early Years Single Funding Formula (EYSFF) by keeping the current structure unchanged. This includes retaining the existing universal base rate and deprivation supplement, with no alterations to eligibility criteria or rates. Any additional funding received from the Department for Education will be fully passed on to providers through increases in the universal base hourly rates. The Special Educational Needs Inclusion Fund (SENIF) will also remain unchanged, with no amendments to existing rates or processes. In line with national regulations, the Council will retain the maximum 3% of the EYSFF to fund central services necessary to administer and support the delivery of the early year's entitlements.</p> <p>On 12 January 2026, the Early Years Single Funding Formula consultation paper and online link for responses was emailed to 270 childcare providers registered for early education funding within Bournemouth, Christchurch and Poole Council (BCP). The deadline for responses was on 25 January 2026. 20% of providers engaged with the consultation. Overall, providers were supportive of the proposal for 2026/27 EYSFF. The consultation response is summarised at Appendix A.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <ol style="list-style-type: none"> 1. Schools Forum recommend the proposal for the 2025-26 EYSFF to the BCP Corporate Director Children's Services. 2. Schools Forum agree the central retention of 3% for council costs of supporting the free entitlement.
Reason for recommendations	The recommendation demonstrates a balanced position of the funding available for distribution to the early years sector, support for disadvantaged children and those with additional needs and funding required for central council functions.
Portfolio Holder(s):	Councillor Richard Burton, Children and Young People

Corporate Director	Cathi Hadley, Corporate Director Children's Services
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Wards	Council-wide
Classification	For Recommendation

Background

1. The DfE has confirmed its national funding formula and hourly rates for local authorities for the 2026-27 financial year. Within this, local authorities are expected to pass a minimum of 97% of the funding received to providers of early years childcare to fund early years entitlements.
2. The early years entitlements for 2026/27 are as follows:
 - the 30 hours entitlement for qualifying children of working parents aged from 9 months until the child turns 2 years old
 - the 30 hours entitlement for qualifying children of working parents aged 2
 - the 15 hours entitlement for families with 2-year-olds receiving additional forms of support (formerly known as the 2-year-old disadvantaged entitlement)
 - the universal 15 hours entitlement for all 3- and 4-year-olds and the additional 15 hours entitlement for qualifying children of working parents aged 3 and 4
3. National funding for early years entitlements is set through the Early Years Single Funding Formula (EYSFF) and flows to local authorities as the early years block via the national funding formula (NFF), in accordance with the 2025 Regulations. The regulations then govern how this funding can be allocated to providers and what may be charged centrally.
4. Included within the DSG, but outside the early years funding formula are:
 - early years pupil premium (EYPP) for eligible children
 - disability access fund for one off payments to settings for eligible children

Early Years Single Funding Formula (EYSFF)

5. The Council is required to operate an EYSFF for all providers, including:
 - early years providers other than childminders registered on the Ofsted Early Years Register
 - childminders registered on the Ofsted Early Years Register
 - childminders or childcare providers registered with a childminder agency which is itself registered with Ofsted
 - schools taking children aged 2 and over which are exempt from registration with Ofsted as an early years provider
 - schools taking children under 2 which are separately registered on the Ofsted Early Years Register (including independent schools)
 - independent schools where the early years provision is inspected separately by an independent inspectorate
6. The formula is applicable for all early year's entitlements. For 2026/27, DfE is increasing the minimum pass-through rate to 97% (from 96% in 2025/26). This new 97% requirement will apply separately to each of the entitlements for:
 - 9-month-old children up to 2-year-olds of eligible working parents
 - 2-year-old children of eligible working parents
 - 2-year-old children from families receiving additional support
 - 3- and 4-year-olds (universal and additional hours)

7. The formula for 3- and 4-year-olds is to include a universal base rate for all providers and a mandatory deprivation supplement to differentiate funding. The formula for 2-year-olds and under 2s includes a base rate for all providers and a discretionary deprivation supplement.
8. The formula must include a SEND Inclusion Fund (SENIF). The SENIF provides additional funding to support children with additional needs and must be applied across all age groups. SENIF is not provided under the statutory framework for EHCPs. Any EHCPs for children in the early years age groups are funded by the high needs block following statutory processes in addition to the inclusion fund within the EYSFF.

Consultation for 2026/27

9. Initial consultation took place with provider representatives in the Early Years Sub-Group of the Schools Forum. The group, which includes representatives of local provider types, has engaged with the EYSFF for 2026/27 proposal and offered valuable insights during its preparation.
10. In partnership with this group, the Council recommended the following to the sector:
 - **No changes to the existing formula structure:** The current EYSFF structure, including the universal base rate and the deprivation supplement, will remain unchanged for 2026-27. There are no proposed changes to the deprivation supplement rates, and this supplement will still be paid to:
 - Children from 9 months – 2 years: where the child is eligible for EYPP.
 - 2- year-olds: where a child is eligible as a disadvantaged 2-year-old or is eligible for EYPP.
 - 3- and 4-year-olds: where a child was formerly funded as a disadvantaged 2-year-olds or is currently eligible for EYPP.
 - **Special Educational Needs Inclusion Fund (SENIF):** The approach to the SENIF will also remain consistent with the previous year and there are no proposed changes to the rates.
 - **Allocation of additional DfE funding:** Any additional funding or uplift in the base rates received from the DfE for the new financial year will be fully added to the universal base hourly rates paid to all providers (plus additional 25p for Under 2s). This ensures that all providers benefit directly from the increased government investment and helps to address cost pressures such as the National Living Wage increases.
11. Final hourly rates were confirmed by government on 15 December 2025. A summary of the early years settlement for 2026-27 is provided in tables 1a and 1b below:

Table 1a. Early Years Settlement for Under 2s and 2 Year Olds

	2025-26 LA Rate	2026-27 LA Rate	Increase to LA Rate*	% Increase to LA Rate
Under 2s	£11.34	£12.06	£0.72	6.3%
2-year-olds	£8.36	£8.91	£0.55	6.6%

Table 1b. Early Years Supplement for 3- and 4-Year Olds

	2025/26 LA Rate	2026/27 LA Rate (without termly adjustment)	Increase to LA Rate	% Increase to LA Rate	2026/27 LA Rate (with termly adjustment)*	Increase to LA Rate	% Increase to LA Rate
3-&4-year-olds	£5.84	£6.36	£0.52	8.9%	£6.54	£0.18	2.8%

Note: The DfE analysis shows that changing from an annual to a termly census will result in a lower number of funded hours being reported across the year. Without corrective action, it is expected that a move to a termly funding system will reduce funding allocations to LAs even where there is no change to the hours LAs are paying out locally.

To keep the funding system and DSG allocations broadly stable, the DfE have offset the reduction they expect to see in funded hours, by increasing the *national* average funding rate for 3-and-4 years-olds by 2.94%. **This increase is a technical adjustment, not additional funding for local authorities. The *without adjustment* rate is used to calculate providers rates.**

12. The table 2 shows proposed providers base rates for 2026/27.

Table 2: Base rates for 2026/27

	Provider Base rate 2025-26	Proposed increase to provider base rate	Proposed provider base rate 2026-27	% increase
Under 2s	£10.28	£0.72	£11.25*	9.4%
2-year-olds	£7.72	£0.55	£8.27	7.1%
3- & 4-year-olds	£5.34	£0.52	£5.86	9.7%

*Additional 25p in addition to 72p increase from DfE

13. The funding received by the local authority for each age group requires several components that inform the Early Years Single Funding Formula (EYSFF). The next four tables show how these elements are proposed to be allocated for 2026/27.

Table 3a: Under 2s - The Components that make up the Early Years Single Funding Formula

Under 2s	Allocation from funded rate*	%*	EYSFF Provider Rate for Approval	Notes
Provider Base Rate	£11.25	93.3%	£11.25	Every child
Deprivation Supplement	£0.01	0.1%	£0.33	Per eligible child
SENIF - targeted	£0.15	1.2%	£2.43/£4.86/£7.49	Per eligible child
Central Functions	£0.36	3.0%		
Contingency	£0.28	2.3%		

DSG Funding per hour	£12.06
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Table 3b: 2 Year Olds - The Components that make up the Early Years Single Funding Formula

2YO Families receiving additional support (disadvantaged families)	Allocation from funded rate*	%*	EYSFF Provider Rate for Approval	Notes
Provider Base Rate	£8.27	92.8%	£8.27	Every child
Deprivation Supplement	£0.65	7.3%	£0.65	Per eligible child
SENIF - targeted	£0.32	3.6%	£2.43/£4.86/£7.49	Per eligible child
Central Functions	£0.27	3.0%		
Contingency	£0.00	0.0%		

DSG Funding per hour	£8.91
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Table 3c: 2YO Working Families - The Components that make up the Early Years Single Funding Formula

2YO Working families	Allocation from funded rate*	%*	EYSFF Provider Rate for Approval	Notes
Provider Base Rate	£8.27	92.8%	£8.27	Every child
Deprivation Supplement	£0.03	0.3%	£0.65	Per eligible child
SENIF - targeted	£0.14	1.6%	£2.43/£4.86/£7.49	Per eligible child
Central Functions	£0.27	3.0%		
Contingency	£0.20	2.2%		

DSG Funding per hour	£8.91
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Table 3d: 3&4 YOs- The Components that make up the Early Years Single Funding Formula

3&4YOs	Allocation from funded rate*	%*	EYSFF Provider Rate for Approval	Notes
Provider Base Rate	£5.86	92.1%	£5.86	Every child
Deprivation Supplement	£0.06	0.9%	£0.33	Per eligible child
SENIF - targeted	£0.25	3.9%	£2.43/£4.86/£7.49	Per eligible child
Central Functions	£0.19	3.0%		
Contingency	£0.00	0.0%		

DSG Funding per hour	£6.36
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**the allocations are shown for context, some rounding may occur*

14. The Early Years Single Funding Formula consultation paper was distributed via email to 270 childcare providers within BCP on 12 January 2026 with responses requested by 25 January. 3 virtual consultation briefing events were held on 13 and 15 January.
15. 20% of the sector provided feedback (53 responses) and the outcome paper (see Appendix A) shows an overall approval for the proposal.
16. Councils are permitted to retain up to 3% of the EYSFF for central services such as administering the entitlement and providing support to providers and systems to operate the funding claims, for services in-kind including special educational needs, to transfer funding to any other early year's entitlement. For 2026/27 the Council will retain funding at the maximum 3%.

Proposed EYSFF 2026/27 for Decision

17. It is proposed that:

- For 2026/27 there will be no changes to the existing formula structure
- Additional funding received from the DfE for the new financial year will be fully added to the universal base hourly rates paid to all providers.

- In line with national regulations, the Council will retain the maximum 3% of the EYSFF to fund central services necessary to administer and support the delivery of the early year's entitlements. This includes establishing the eligibility of entitlement for disadvantaged 2-year-old funding, promoting the free entitlements and targeted SEND support.

18. This ensures that:

- Sufficient funding will be allocated to the SENIF to ensure demand from the forecast is met.
- All providers benefit directly from the increased government investment and helps to address cost pressures such as the National Living Wage increases.
- A balance between increasing the base rate and meeting the needs of vulnerable children through the deprivation supplement and through support for children with SEND is achieved.
- A contingency fund is retained to allow for any unforeseen overspend.
- Centrally retain funding will enable to deliver essential support services, quality improvement and statutory functions that help ensure high-quality, sustainable early years provision for all children.

Options Appraisal

19. Proposals were considered in the consultation processes with the early years sector and the sector supported the Council's proposal

Summary of financial implications

20. The early years formulae are set within the funding envelope of the DSG and therefore have no impact on the general fund.

Summary of legal implications

21. The consultations undertaken and the formulae recommendations are compliant with the School and Early Years Finance and Childcare (Provision of Information About Young Children) (Amendment) (England) Regulations 2025.

22. Funding rates in 2026/27 must be provided to the sector by no later than 28 February 2026.

Summary of human resources implications

23. There are no human resources implications for the Council. Any implications from funding levels are for early years providers.

Summary of public health implications

24. Should appropriate funding not be allocated to meet the needs of pupils with SEND within BCP, there may be health and well-being implications for this group of the population leading to reduced health equalities locally.

Summary of equality implications

25. An equalities impact assessment has not been undertaken. The DfE undertake equality impact assessments in determining the structure of the funding formulae and how funding is to be allocated. The local formulae are aligned with the national schemes.

Summary of risk assessment

26. There are no risks to the Council from the implementation of the funding formula within the Regulations and published guidance.

Background papers: None

Appendices: Appendix A: Proposed Changes to the Early Years Single Funding Formula for the Free Early Entitlements for April 2026 – March 2027: Outcomes of the Consultation.