

London Borough of Enfield

Schools Forum

Meeting Date: 14 January 2026

Subject: Early Years Funding 2026/27
Cabinet Member: Cllr Abdullahi
Report No: 5d

Purpose of Report

This report provides an overview of the upcoming DfE requirements with regards to the statutory Early Years funding arrangements for 2026/27, effective from April 2026.

Recommendations

The Schools Forum representatives are asked to:

1. Provide feedback on the proposed funding rates to providers for the 2026/27 financial year.
2. Approve the Local Authority's planned use of the centrally retained funding of £1,553,000 for 2026/27 to deliver the statutory Early Years services.

Proposed Funding Rates to Providers 2026/27

The following tables set out the proposed funding rates to providers for 2026/27:

3 and 4-Year-Olds Funding Rate	2025/26		2026/27	
	Rate per hour £	% of total	Rate per hour £	% of total
Basic hourly rate per child	6.28	90.7%	6.76	93.4%
Deprivation (Mandatory)	0.12	1.7%	0.13	1.8%
Quality (TPG)	0.13	1.9%	-	-
Inclusion Fund	0.12	1.7%	0.13	1.8%
Central Support	0.28	4.0%	0.21	3.0%
3 and 4-Year-Olds Funding Rate	6.93	100.0%	7.23	100.0%

2-Year-Olds Funding Rate	2025/26		2026/27	
	Rate per hour £	% of total	Rate per hour £	% of total
Basic hourly rate per child	9.40	93.0%	9.69	93.0%
Deprivation	0.20	2.0%	0.21	2.0%
Inclusion Fund	0.20	2.0%	0.21	2.0%
Central Support	0.30	3.0%	0.31	3.0%
2-Year-Olds Funding Rate	10.10	100.0%	10.42	100.0%

9 Months to 2-Years-Olds Funding Rate	2025/26		2026/27	
	Rate per hour £	% of total	Rate per hour £	% of total
Basic hourly rate per child	13.21	95.0%	13.61	95.0%
Deprivation	-	-	-	-
Inclusion Fund	0.28	2.0%	0.29	2.0%
Central Support	0.42	3.0%	0.43	3.0%
9 Month Old Rate	13.91	100.0%	14.33	100.00%

For the 3 and 4-year-old entitlements, it is mandatory for Local Authorities to include a deprivation supplement and Special Educational Needs Inclusion Funding (SENIF) in their local funding formula.

The pass-through requirements will apply to the universal and additional hours in combination and increase from 96% in 2025/26 to 97% in 2026/27.

It should be noted that, following a change in the DfE's methodology, the hourly rate the Local Authority will receive is £7.44, which is higher than the underlying rate of £7.23 per hour, which is shown in the table. This difference arises from the move to termly censuses during 2026/27.

Previously, the January census from the previous year was used to calculate the Local Authority's funding. Under the new approach, funding will reduce because the spring term typically has a higher number of funded children compared to the average across the year.

The higher rate compensates Local Authorities for this methodological change. However, the DfE advises that the rate paid to providers should be close to the underlying hourly rate before the adjustment for the change in methodology is applied, which is £7.23. This represents the underlying rate that is funded and avoids Local Authorities from passing on a transitional uplift to providers that is intended to offset the census change.

For the 9 months - 2-year-old entitlements Local Authorities are expected to ensure funding for deprivation is reflected in their approach to funding for the entitlements, recognising the additional costs associated with supporting children from disadvantaged backgrounds. This may be achieved through a deprivation supplement, particularly where Local Authorities are using a single 2-year-old formula locally. For 9 months to 2-year-olds, the 97% pass-through funding requirements rates will remain at 97%, in line with the DfE statutory requirements including a deprivation rate to support children from disadvantaged backgrounds and the SENIF budget allocation from April 2026.

The Inclusion Fund (SENIF) was introduced to support children aged 3 & 4 years, this was extended to 2-year-old children from April 2024, and 9-month-old babies from September 2024. The Inclusion Funding (SENIF) is to enable Local Authorities to work with providers to address the needs of individual children with low and emerging SEND. The use of the inclusion fund locally is passported to individual providers to support children directly. The Inclusion Panel consists of Enfield Council officers.

It should be noted that the hourly rate be based on the number of pupils on roll each term and the deprivation factor would continue to be allocated using Income deprivation affecting children index (IDACI).

Timeline for setting the 2026/27 funding rates

The below table provides the timeline for setting the 2026/27 funding rates:

Date	Activity
15 January 2026	Schools Forum paper to be shared with schools and providers, including consultation period regarding funding formula and rates
27 February 2026	Six week consultation period closes
28 February 2026	Schools and providers notified of funding rates
1 April 2026	New funding rates apply

The consultation can be accessed [here](#).

Central Retention 2026/27

The Local Authority is required to increase the pass-through rate to providers (private nurseries, school nurseries and childminders) for three and four years olds from 96% in April 2025 to 97% in April 2026. This will bring the pass-through rate in line with the funding for two-year-olds and under two-year-olds, which was set at 97% from April 2025.

The below table provides a summary of the passthrough rates and funded hours:

Age group	2025/26		2026/27	
	Passthrough	Funded hours	Passthrough	Funded hours
3 and 4-year-olds	96%	30 hours	97%	30 hours
2-year-olds from disadvantaged families	97%	15 hours	97%	15 hours
9 months to 2-year-olds of working parents	97%	Summer term: 15 hours Autumn and spring terms: 30 hours	97%	30 hours

From April 2026, the Local Authority can retain no more that 3% of the above funding entitlements but this central retention will be calculated on a larger amount of funding as working parents of 9-month-olds to 2-year-olds will be funded for up to 30 hours for the whole year.

The estimated retained funding for the 2026/27 financial year is £1,553,000 and is estimated to be used as follows:

Budget Description	Retained Funding 2026/27 £
Early Years Team	660,000
Early Years Social Inclusion Team	341,000
Informed Families Team	194,000
SEYIS Business Support Team	164,000
Data Team	133,000
Non-staffing including advertising, training and school support work	61,000
Total	1,553,000

This retained funding helps to ensure that the Local Authority meets the requirements under the Childcare Act as listed below:

- **Section 1** – places duty on Local Authorities to improve the well-being of young children in their area (school visits carried out to support EYFSP data) and reduce inequalities between them and close the gaps between groups.
- **Section 3** – places duty on Local Authorities to plan to secure early years services in their area (Childcare Information Service Team supports parents with regards to childcare needs including SEN).
- **Section 6** – places a duty on Local Authorities to secure sufficient childcare for working parents (Childcare Sufficiency Assessment requirements to report to the DfE regarding sustainable childcare needs).
- **Section 7** (as substituted by section 1 of the Education Act 2011) – places a duty on Local Authorities to secure early years provision free of charge (Audits carried out to ensure providers follow and implement the DfE funding requirements)
- **Section 9A** (as inserted by the Children and Families Act 2014) – place a duty under section 9A to deliver early education places for 9 months, two-, three- and four-year-olds. (Support childcare placements)
- **Section 12** – places a duty on Local Authorities (EY team and area SENCo) to provide information, advice and assistance to parents and prospective parents on the provision of childcare in their area and other services which may be of benefit to parents, prospective parents or children and young persons in their area.
- **Section 13** – places a duty on Local Authorities to provide information, advice and training (EY team) to childcare providers, and prospective providers (EYFS Statutory requirements). To ensure that Local Authorities provide local childcare providers and prospective providers the necessary support to help deliver sustainable affordable and high-quality childcare that meets the needs of the community.
- In addition, Local Authorities are required to carry out several checks before processing the funding entitlements payments to providers such as EYPP, DAF, SENIF (EY Business Support Team) and funding entitlement eligibility codes.