



## 7. Early Years Funding Formula 2026-2027

<b>Report to:</b>	Schools Forum
<b>Date of Meeting(s):</b>	15 January 2026
<b>Report of:</b>	Colette Dutton: Director Children and Families
<b>Contact Officer:</b>	Mark Rotheram – Strategic Finance Manager Cath Pealing – Assistant Director of Education
<b>Summary:</b>	To update Schools Forum on the Early Years DSG allocation for 2026-2027
<b>Recommendation(s):</b>	For Schools Forum members to note the contents of the report and agree the proposed rates and level of central spend.
<b>Implications:</b> What are the financial implications? What are the staffing implications?	Contained within the report. There are no currently identified staffing implications resulting from this report.
<b>Risks</b>	Contained within the report.

Please list any appendices:

## 1. Introduction

1.1 As part of the Spring Budget in March 2023 the Government announced plans for reforms to childcare to support parents to return and stay in work, which will be transformative for parents, children and the economy.

1.2 The early education entitlements are;

- 30 hours entitlement for qualifying children of working parents aged from 9 months until the child turns 2 years old.
- 30 hours entitlement for qualifying children of working parents aged 2.
- 15 hours entitlement for families with 2 year olds receiving additional forms of support (formerly known as the 2 year old disadvantaged entitlement).
- 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.

1.3 For the financial year 2026/27 the Department of Education (DFE) have made a number of changes to the operational guide to ensure the funding system supports the delivery of the early years entitlements. The main changes are;

- Increase the minimum pass-through requirement for local authorities in 2026/27 from 96% to 97%
- Local authorities must announce their funding rates to childcare providers no later than 28<sup>th</sup> February which is now a statutory requirement.
- All early years funding to local authorities will move to a termly funding system for all early years funding streams from financial year 2026/27.

1.3 The early years national funding formula for 3- and 4-year olds consists of a universal base rate including factors for additional needs, using measures of free school meals; disability living allowance, English as an additional language and teachers' pay and pension and National Living Wage (NLW) increases. The formula also includes an area cost adjustment multiplier to reflect variations in local costs. This uses the General Labour Market measure to indicate staff costs and Nursery Rates Cost Adjustment (NRCA) to indicate cost of premises.

1.4 The national funding formula for children aged 9 months up to (and including) 2 year olds which includes an additional needs factor using the same proxy measures as the current 3 and 4 year old formula, with the addition of an additional proxy measure derived from the income deprivation affecting children index (IDACI) which, along with free school meals (FSM) data, is used to reflect the different levels of deprivation across the country.

1.4 Early Years Pupil Premium (EYPP) is payable to eligible children accessing the universal 15 hours entitlement for all 3 and 4 year olds and children aged 9

months up to (and including) 2 year olds regardless of which entitlement they are accessing up to 15 hours entitlement.

- 1.5 Disability Access Fund (DAF) was introduced to support disabled children's access to early years entitlement. DAF is payable if a child is in receipt of Disability Living Allowance (DLA) and is receiving either the universal 15 hours entitlement of 3 and 4 year old; the 15 hours entitlement for children aged 2 years receiving additional support or working parents or 15 hours entitlement for children aged 9 months to 2 years of eligible working parents.

## **2. Funding**

- 2.1 For the financial year 2026/27 Wigan's Early Years Block allocation is estimated at £71,156,577, however, this is based on the 'with adjustment rate' (see 2.2 below for further clarification). The basis of this funding includes 3 separate hourly funding rates as follows:

- An hourly funding rate for 3 and 4 year olds for the universal and additional hours entitlements.
- An hourly funding rate for both 2 year old entitlements which will be the same for families of 2 year olds receiving additional support and eligible working parents of 2 year olds.
- An hourly funding rate for children aged 9 months up to 2 years for the eligible working parent entitlement.

- 2.2 With effect from financial year 2026/2027 the DFE are introducing a termly funding system to fund all the early years entitlements on termly census headcounts, as they already do for the working parents' entitlements for 2 year olds and under. This change is to improve the accuracy of our funding allocations and better align their funding patterns with local authorities. This means, in financial year 2026/27, each local authority will receive an 'adjusted' hourly rate for 3 and 4 year olds after allowing for the termly funding adjustment. This change will only take place in 2026/27 to support transition and will not be an ongoing adjustment.

In determining the pass-through rate for 3 and 4 year olds the DFE have advised that Local Authorities should use the 'without adjustment rate' for the pass-through calculation. This is to ensure the pass-through calculation takes place on a like for like basis as previous years.

The DFE have advised as part of the budget setting process to manage fluctuations in take-up through the year, in particular to manage higher attendance than forecast Local authorities are able to set aside contingency fund which we have initially allocated £75,000 for this purpose. Where contingency funds remain at the end of the financial year i.e. where a local authority has an underspend against its early years block, the treatment of this money depends on the overall DSG position. If the overall DSG is in surplus, underspend can be carried forward to the next financial year. Where the DSG

is in deficit, underspends on one block must be used to offset deficits in another.

- 2.3 The 3 / 4 year old formula rate for 26/27 is £6.16 per hour(without termly funding adjustment) which is an increase of £0.33 when compared to the 25/26 formula rate of £5.83 per hour.
- 2.4 The 2 year old formula rate for 26/27 is £8.66 per hour which is an increase of £0.46 when compared to the 25/26 formula rate of £8.20 per hour.
- 2.5 The 9 months up to and including 2 year olds a formula rate for 26/27 is £11.76 per hour which is an increase of £0.61 when compared to the 25/26 formula rate of £11.15 per hour.
- 2.6 The 26/27 funding for EYPP has increased from £1.00 to £1.15 per hour and is payable for the first 15 hours for eligible children aged 9 months to 3 /4 year olds to ensure we continue to provide support for families receiving additional support. Local authorities must fund all eligible early year's providers in their area at the national rate of 1.00 per hour per eligible pupil up to a maximum of 570 hours (£570.00 per year).
- 2.7 The 26/27 annual funding rate for DAF has increased to £975 when compared to the 25/26 rate of £938.
- 2.8 It is our proposal to increase the cost of a free school meal from £2.50 to £2.61 per meal.
- 2.9 In the Summer of 2023, the previous Government consulted on the minimum pass-through requirement and outlined their intention to increase this from 95% to 97% once the new entitlements were sufficiently embedded. For the financial year 2026/27 the increased minimum pass-through requirement for local authorities is now 97% and will apply separately to the entitlement 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)
- 2.10 For 2025-26, Wigan's recommended pass-through rates are detailed in the table below:

Entitlement	2026/ 2027 Pass- through Rate	2025/ 2026 Pass-through Rate
9 mths old up to 2 year old working parents	97.45%	97.31%
2 year old children of working parents & Families receiving additional support)	97.45%	97.31%
3 and 4 year olds (universal and additional hours)	97.45%	97.32%

### 3. Our Proposals

- 3.1 In addition, to the pass through rates detailed above it is our intention to provide a further £0.10 per hour for 15 hours per week for 2 year old families receiving additional support which equates to £57.00 over the 38 weeks funding period. This will be funded from the centrally retained funding element of the allocation. The purpose of the additional funding aims to incentivize providers to offer funded places for children who may not currently be in provision. This measure will help reduce the risk of families being unable to access a funded place, particularly where demand for the working parent entitlement is higher.
- 3.2 In order to continue to recognise the challenging financial environment by the sector and based on the pass through rates detailed above, the following rates are proposed;

Entitlement	2026/27 Hourly Rate	2025/26 Hourly Rate	% increase on 2025/26 Rates
9mth – 2 yr old	£11.46	£10.85	5.62%
2 yr old working parent	£8.30	£7.92	4.80%
2 yr old – families receiving additional support	£8.40	£7.92	6.06%
3 / 4 yr old (Univ & Add) PVI's & Childminders	£5.99	£5.50	8.91%
3 / 4 yr old (Univ & Add) Maintained Sector	£6.06	£5.50	See note 1 below

(Note 1 – In previous years the Maintained Sector have received a separate allocation in respect of the early years national insurance contribution and teachers' pay grant (EYNTPG), however, with effect from 2026 to 2027 the EYNTPG has been rolled into the national average funding rates. As a result a separate rate has been applied to the maintained sector to take account of this change.)

- 3.3 In addition to the above rates it is proposed that the deprivation supplement is continued to be paid to both 3 and 4 year olds for the universal element and 2 year old receiving additional support (£0.33 per hour) which will provide an additional funding of £188.10 per year.
- 3.4 **Maintained Nursery Schools (MNS)** – Wigan Council's Early Years Block allocation of £71.157m contains an indicative supplementary funding allocation for maintained nursery schools of £447,076 for 2026/27. This figure will be subject to change depending on actual termly PTE numbers.

3.5 The retained funding will continue to be used to support staff for the delivery of the Council's Early Years function, this includes;

- Supporting the continuing increase in demand for additional SEND support
- Contribution towards the raising attainment team, inclusion team, operational team and finance team
- Quality Assurance
- Training
- Speech and Language
- Safeguarding
- Sufficiency

#### **4. Conclusions**

4.1 Forum members to note the contents of the report.

4.2 Forum members to agree to the rates proposed for 9 months upto 2 year olds, 2-year olds, 3 / 4-year olds and the retention for central services.