

Consultation on the Kirklees Early Years Funding Formula

2026-27

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Introduction

The Department for Education (DfE) published details of the Early Years Funding Formula 2026-27 and the local authority hourly funding rates on 15 December 2025 followed by the local authority dedicated schools grant (DSG) initial allocations on 17 December 2025. The rates include a national average increase between 4.3% for under 2-year-olds to 4.9% for 3 and 4-year-olds which is above the rate of inflation.

The funding rate for the Early Years Pupil Premium (EYPP) will increase from £1 to £1.15 per hour per eligible child, and the Disability Access Fund (DAF) will increase from £938 to £975 per eligible child per year.

Full details can be found here: [Early years funding: 2026 to 2027 - GOV.UK](#)

Although this adds further investment to early years, Kirklees along with one third of other local authorities will still receive the lowest funding base rate in the country for three-and four-year olds from April 2026.

The proposals included in this consultation are based on the information published by the DfE. Further clarification is required regarding some of the information published which may impact the final decision on the funding formula.

Kirklees Early Years Block Funding 2026-27

The figures in the table below represent the initial allocation received from the DfE based on the estimated take-up of places, the allocations will be updated following each termly census submission during the year.

Table 1: Initial funding allocation for 2026-27

Funding stream	2026-27 Initial funding allocation
3- & 4-year-olds - Universal	£21,103,422
3- & 4-year-olds - Extended	£9,720,585
2-year-olds - Disadvantaged	£5,118,705
2-year-olds - Working parent	£18,125,833
Under 2-year-olds - Working parent	£24,263,813
Total place funding	£78,332,358
Early Years Pupil Premium (EYPP)	£1,460,900
Disability Access Funding (DAF)	£336,375
Maintained Nursery School Supplementary Funding (MNSSF)	£190,049
Total Early Years Block	£80,319,682

Changes for 2026-27

The main changes to the national funding formula system are:

- an increased minimum pass-through requirement for local authorities in 2026-27. The pass-through rate will increase from 96% to 97% meaning that the amount local authorities can retain for administration will reduce to 3% of the entitlement funding.
- confirmation that local authorities must announce their funding rates to childcare providers by 28 February 2026.
- move to a termly funding system from April 2026, this means that there will be an early years census return to submit to the DfE each term based on child headcounts in January, May and October.

Consultation

As stated in the **Early years entitlements: local authority funding operational guide 2026 to 2027**;

“Local authorities must determine their funding formulae before the beginning of the financial year. Where a local authority proposes to make changes to the funding formula it used during the previous financial year that will affect early years providers, it must first consult its schools forum, maintained schools, and early years providers. Local authorities must also seek approval from their schools forum to agree any entitlements funding they intend to retain to fund central functions. Local authorities are not permitted to amend their funding formulae after the financial year has started”.

The Council are not proposing to make any significant changes to the current funding formula used in 2025-26, this document sets out the proposals for 2026-27.

Key areas for consultation in 2026-27

The Council is seeking providers views on the following elements:

- A. The amount of funding retained centrally to support local authority statutory duties around the early years entitlements including administration of the funding.
- B. Retaining a contingency fund for each of the five entitlement funding streams.
- C. Change to the number of funded weeks in the summer and spring terms.
- D. Transfer of funds from the Early Years Block to the High Needs Block.
- E. The amount of funding allocated to the Special Educational Needs and Disabilities Inclusion Fund (SENDIF).

Consultation timeline

Table 2: Consultation timeline

Event	Dates
Online survey	19 December 2025 to 25 January 2026
Virtual briefing sessions	12, 14 and 15 January 2026
Early Years and Childcare Reference group includes provider representation for childminders, pre-schools, day nurseries, out of school provision and schools and academies with nursery provision.	4 February 2026
Schools Forum	6 February 2026
Funding formula and rates communicated to providers	Before 28 February 2026

Section A: Centrally retained funds

From 2026-27 local authorities are required to pass through 97% of the early years funding to providers, for the following formula elements for each of the entitlement funding streams:

- base rate funding for all providers
- supplements for all providers
- the funding paid directly to providers from the special educational needs and disabilities inclusion fund (SENDIF)
- contingency funding

These funds contribute to the cost of the Free Early Education Funding, Childcare Sufficiency, Early Years Outcomes and Early Years SEND Teams to support funding distribution, free entitlement place sufficiency, standards of delivery and inclusion. See table below for details.

The Council proposes a small increase of £86,359; this includes £43,059 to reflect the anticipated impact of the local authority pay award (3.5%) for each of the local authority support teams and £43,300 to increase resources in the Free Early Education Funding Team to support changes in the early years funding system and associated local authority duties, these include;

- From January 2026, providers will be required to publish their fee structures and provide clear invoices to parents, the Council must monitor compliance with these requirements.
- From April 2026, termly Early Years Census returns will be implemented which is a significant increase to the current annual return.

This is equivalent to 0.1% of the total Early Years Block which is a very small increase when compared with an increase of 17.7% to the total Early Years Block Funding this year.

After considering the proposed amounts to be retained centrally, the average funding pass through rates will exceed the requirement of 97%. This demonstrates that the Council continues

to maximise the available funding for providers whilst being realistic about administration and the affordability of important services.

Table 3: Proposed amounts to be retained centrally

Budget area	2025-26	Additional Resources	3.5% increase	2026-27	Description
Early Learning and Childcare	£837,205	£43,300	£30,818	£911,323	Free Early Education Funding, Childcare Sufficiency and Early Years Outcomes Teams – funding to providers, free entitlement place sufficiency, supporting standards of delivery
Back office / management costs	£81,682		£2,859	£84,541	Finance, payroll, HR, Legal, IT etc
Inclusion Support	£254,301		£8,901	£263,202	Contribution to the Early Years SEND team
Miscellaneous	£13,759		£482	£14,241	Contribution to admissions, maternity, union duties etc.
Total	£1,186,947	£43,300	£43,059	£1,273,306	

Section B: Contingency fund

In 2024-25 it was agreed to establish a contingency fund of 0.8% due to the increasing value of the Early Years block and the significant expansion of the entitlements up to September 2025. In 2025-26 it was agreed to retain the contingency fund of 0.8% as a full year of the new entitlements will not be realised until 2026-27 and it could take another year or two for the new entitlements to be fully embedded and for take-up to stabilise.

From April 2026, termly national Early Years Census returns will be implemented which means that the way funding is distributed to local authorities will change for the established entitlements, i.e. the universal and extended entitlements for 3- and 4-year-olds and the entitlement for 2-year-olds whose families receive additional support. This change will mean that in this first year of implementation local authorities will receive less funding for the 3- and 4-year-old entitlements due to the overall number of funded hours being less. To maintain the status quo the DfE have adjusted for this in the 3- and 4-year-old funding rates by adding an average of 2.94% to local authority base rates prior to applying the national funding formula and increases for inflation etc.

In Kirklees the change to a termly funding system will mean a further reduction in funding because the national termly census headcounts are set early in the term i.e. the third Thursday in January, the third Thursday in May and the first Thursday in October whereas Kirklees currently funds children starting at a provider until 2 weeks before each school term ends hence is much later. As a guide the estimated cost to the Kirklees Early Years Block Budget of children starting after the national termly census dates is £662,000 for the year, this is based on funding claims received in 2025. One option to reduce the cost of this shortfall in funding would be to bring forward the deadline for accepting funding claims for children starting later in the term

however in the interests of balancing costs against, children's learning and meeting the needs of working parents and sustainable providers the Council is not proposing to make any changes at this time.

There is also a risk of a shortfall of funding associated with children who stretch their entitlement and move from one funding stream to another after the summer term. For example, children aged 2 in the summer term that become aged 3 on or before 31 August will move to the 3- and 4-year-old funding stream and could exceed their maximum entitlement hours due to limitations of the IT system. The same situation will apply to 9-month-old children that become aged 2 on or before 31 August.

Taking into account the change in the national funding system from April 2026 and to ensure there is sufficient funding available so that no provider loses out in a situation where a child is stretching their entitlement, it is proposed that a contingency fund of 1% from each funding stream is retained until such risks are fully mitigated. The contingency fund is set aside to reduce risk of an overspend and will be paid to providers in the final term of the financial year if sufficient funds are available.

Section C: Change to the number of funded weeks in the summer and spring terms

From 2026-27 the DfE will provide funding as follows; 13 weeks in the summer term 2026, 14 weeks in the autumn term 2026 and 11 weeks in the spring term 2027. Currently and for a number of years Kirklees Council has funded providers as follows; 12 weeks in the summer term, 14 weeks in the autumn term and 12 weeks in the spring term. To avoid further complications and a mismatch of the funding received from the DfE and the funding distributed to providers the Council is proposing to change the funded weeks to match the DfE funded weeks from April 2026. Without this change further increases in the contingency fund would be required.

Sometimes the number of weeks in the term does not match the number of funded weeks due to the timing of Easter, the above proposal does not change the current requirement for term-time only providers to deliver 38 weeks of free early learning and childcare over the academic year.

Section D: Transfer of funds from the Early Years Block to the High Needs Block

The Dedicated Schools Grant (DSG) consists of the following funding blocks:

- Early years block
- High needs block
- Schools block
- Central school services block

The Special Educational Needs and Disabilities Inclusion Fund (SENDIF) has historically been funded from the Council's General Fund Budgets. DfE guidance states that SENDIF should be funded from the High Needs (HN) Block and/or the Early Years (EY) Block of the Dedicated

Schools Grant (DSG). A decision was taken by the Council in the financial year 2022-23 to transfer the funding of SENDIF to the HN Block from April 2023 onwards.

For the past two years (2024-25 and 2025-26), in consultation with the early years sector, it was agreed that £0.5 million would be transferred from the EY Block to the HN Block to help fund the costs relating to SENDIF.

As a result of overspending on the whole HN Block, the Council is working with the DfE under an agreement, referred to as the Safety Valve agreement, which is expected to run until the financial year 2027-28. Whilst this will bring additional funding, the Council have agreed in principle with the DfE for an EY Block Transfer and for this to continue for the duration of the Safety Valve agreement to support financial sustainability, but this will be subject to review and consultation each year. This will be particularly important when the details of the governments promised SEND reforms have been fully announced and the full impact is understood.

It is therefore proposed, to transfer £0.5 million in 2026-27 from the EY Block to the HN Block to continue to support costs relating to SENDIF.

For context, the Council have also agreed in principle with the DfE for a Block Transfer from the Schools Block of the DSG which is expected to be £3.6 million in 2026-27.

Section E: The special educational needs and disabilities inclusion fund (SENDIF)

In Kirklees, the special educational needs inclusion fund (SENIF) is referred to as 'SENDIF'.

Following consultation last year, the SENDIF budget for 2025-26 was set at a total of £3 million with £2 million from the Early Years Block and £1 million agreed from the High Needs Block. This was a consequence of the increase in demand in Summer 2024, with more SENDIF claims being received than expected.

Following regular budget reviews and cautious analysis of projected possible demand, based on the entitlement expansions, expenditure is predicted to be within the set £3 million budget.

It is recognised that there is a desire for consistency in the hourly SENDIF rate and so far, this financial year the rate has been maintained at £6.20 for both the Summer and Autumn term. For the Spring Term 2026 it is anticipated that the rate can be increased to £6.96.

To maintain a similar SENDIF offer in 2026-27, the Council proposes an inflationary uplift to the budget and anticipates that a rate around £6.96 could be maintained throughout the year assuming demand remains as predicted.

Therefore, the proposed value of SENDIF in 2026-27 is £3 million (plus an amount for inflation costs), £1 million from the High Needs block funding plus £2 million from the Early Years block funding.

Appendix A: Illustration of the proposed Early Years Funding Formula for 2026-27

The table below shows the 2026-27 proposed formula values compared with the current formula values in 2025-26. These figures are for illustrative purposes only; the final formula funding values and the provider base rates will be confirmed after this consultation.

Table 4: 2026-27 proposed formula values compared with the 2025-26 formula values

	2025-26	Proposed 2026-27	Difference £	Difference %
Deprivation allocation	£320,000	£320,000	£0	0%
Central retention	£1,186,947	£1,273,306	+£86,359	+7.3%
Contingency (1%)	£532,542	£783,324	+£250,782	+47.1%
Transfer to High Needs Block	£500,000	£500,000	£0	0%
SENDIF (£2m from Early Years Block and £1m from High Needs Block, plus 3.5% increase for inflation costs)	£3,000,000	£3,105,000	+£105,000	+3.5%
Total Early Years Block *	£66,567,740	£78,332,358	£11,764,619	+17.7%

* Excludes Early Years Pupil Premium, Disability Access Funding and Maintained Nursery School Supplementary Funding.

Appendix B: Current Early Years Funding Formula (2025-26)

Base rates

- £10.23 for under two-year-olds
- £7.52 for two-year olds
- £5.38 for three- and four-year olds (universal and extended hours)

Deprivation

The allocation is £320,000. Funding is allocated using the current metric IDACI (Income deprivation affecting children index) the rates are:

- Band A: £0.27
- Band B: £0.21
- Band C: £0.20
- Band D: £0.18
- Band E: £0.11
- Band F: £0.09

Special educational needs and disabilities inclusion fund (SENDIF)

The allocation is £3 million for low level and emerging needs to support providers from all sectors delivering the free entitlements. £1 million contribution from the High Needs block funding and £2 million contribution from the Early Years block funding.

Central retention

£1,186,947 is retained to fund local authority statutory duties around the early years entitlements including administration of the funding, quality improvement, sufficient places and SEN support.

Table 5 Central retention budget breakdown

Budget area	Budget	Description
Early Learning and Childcare	£837,205	Free Early Education, Childcare Sufficiency and Early Years Outcomes Teams – funding to providers, free entitlement place sufficiency, supporting standards of delivery
Back office / management costs	£81,682	Finance, payroll, HR, Legal, IT etc
Inclusion Support	£254,301	Contribution to the Inclusion Officer team
Miscellaneous	£13,759	Contribution to admissions, maternity, union duties etc
TOTAL	£1,186,947	

Additional funding

100% of additional funding is passed directly onto providers.

- a) Early Years Pupil Premium (EYPP), the hourly rate is £1. EYPP is only payable for the first 15 hours used by children taking up the eligible working parents entitlements for 3 and 4-year-olds and 2-year-olds and under. The EYPP is not payable on the additional 15 hours for these entitlements.
- b) Disability Access Funding (DAF), a lump sum payment of £938 available each year to funded children in receipt of Disability Living Allowance (DLA)