

Report to: **East Sussex Schools Forum**

Date of meeting: **16 January 2026**

Report By: **Carolyn Fair, Director of Children's Services**

Title: **Early Years Funding Reforms**

Purpose of Report: **To update Schools Forum on the government's early years funding reforms.**

Recommendation:

Schools Forum is asked to note the changes to the early years' education entitlements due to the government's early years funding reforms, which came into full effect from September 2025 and approve the Early Years DSG Budget from April 2026.

1. Introduction

1.1 As announced previously by the government, from September 2025 eligible working families of children aged 9 months+ can access 30 hours of funded childcare per week for 38 weeks of the year. This offer is in line with the Extended 30 hour offer that was already in place for eligible three- and four-year-olds. To ensure fair distribution of funding across all age ranges the DfE has updated the Early Years National Funding Formula (EYNFF) from April 2026. The refreshed formula will distribute funding entitlements for children aged from 9 months, building on the existing formula used to fund the three- and four-year-old entitlements.

1.2 The framework outlines how councils will be expected to pass funding on to providers. Councils will have support and flexibility to deliver the childcare offers whilst ensuring funding reaches providers in a fair and transparent way.

2. Changes

2.1 From April 2026, early years funding will now include funding of 30 hours, for 38 weeks of the year, for children aged 9 months+ of working parents. Eligible two-year-olds of Families in Receipt of Additional Support (FRAS) will continue to receive 15 hours of funding, for 38 weeks of the year.

2.2 The funding formula will include a statutory deprivation supplement for 3- and 4-year-olds, Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) payments across all age groups.

2.3 Funding provided through the 2025/26 early years national insurance contributions and teachers' pay grant (EYNTPG) has been rolled into the national average funding base rate for three- and four-year-olds, two-year-olds and 9 months to two-year-olds. Councils will not receive a separate EYNTPG allocation in 2026/27.

2.4 For the financial year 2026/27 the minimum pass-through requirement for councils to providers will increase from 96% to 97%. Councils will be required to hold a contingency fund to ensure funding is available to fund all children throughout the year and there will be less flexibility for councils to move funds between the different streams.

2.5 Councils are also required to expand their Special Educational Needs Inclusion Fund (SENIF) to include all eligible children from age 9 months who are taking up the universal and extended funded entitlements. The SENIF is funded from the Early Years Block grant.

3. Funding rates

3.1 For 2026/27, the DfE is increasing the national minimum base funding rate for three and four-year olds in East Sussex to £6.49 per hour, a £0.52 per hour increase. This increase includes an additional £0.18 per hour to reflect termly adjustments due to changes in how early data will be collected from April 2026. The funding rate in East Sussex is just over the national average base rate of £6.45 per hour for the universal 15-hour entitlement. For the extended 15-hour entitlement the national average base rate is £6.37 per hour. The Council has considered how much we can increase the per hour rates for providers in East Sussex within the constraints of the funding regulations for the different funding streams and with the new requirement to hold a contingency fund.

3.2 The Council is proposing to pass on 97% of the total early years funding received to providers, in line with the DfE requirements. The 97% passed on includes the statutory deprivation supplement, SENIF and Special Educational Needs Enhanced Funding (SENELF) for eligible children. Also included is a contingency fund to cover the impact of moving to data returns three times a year in line with School Census data collections.

3.3 This means that the per hour rates to providers in East Sussex will increase in 2026/27 to:

- £6.00 per hour for three- and four-year-olds, an increase of £0.31 from this year.
- £8.44 per hour for eligible two years olds of FRAS and two-year-olds whose parents are in employment, an increase of £0.24 from this year.
- On top of the base rate for two-, three- and four-year-olds there will be deprivation supplement, EYPP and SENIF payments for eligible children.
- £11.54 per hour for under twos, whose parents are in employment, an increase of £0.39 from this year. On top of the base rate there will be SENIF payments for eligible children.

3.4 The funding for under twos enables providers to offer funded places for working parents of children aged under two and reflects the commitment of the Council to support economic growth for families in East Sussex.

3.5 The Early Years Pupil Premium (EYPP) payment is additional funding for early years settings to improve the education they provide to disadvantaged children. Historically EYPP has only been paid to three- and four-year-olds but in the 2026/27 financial year this will include eligible children aged 9 months+. The EYPP rate for 2026/27 will be £1.15 per hour for each eligible child for a maximum 570 hours a year. Once eligibility for EYPP has been confirmed children attending an early year's setting retain EYPP funding until they are rechecked as they take-up a school place.

3.6 The Disability Access Fund (DAF) is for early years settings to support children with disabilities or special educational needs. It aids access to early years places by supporting providers to make reasonable adjustments to their settings. The DAF rate for 2026/27 will be £975 per eligible child, per year.

3.7 Council's must consult with early years providers to set the value of their local SENIF. Early Years providers will be consulted during the spring of 2026 to agree how the grant available will be distributed to best support the needs of children in their care. This will include consulting on cohort funding of children as well as individual children.

4. Conclusion and recommendations

4.1 In conclusion, Schools Forum is asked to note the changes to the early years' education entitlements because of the government's early years funding reforms, which were fully implemented from September 2025, and approve the Early Years DSG Budget for the financial year 2026/27.

Carolyn Fair
Director Childrens Services

Contact Officer: Jane Spice
Email: jane.spice@eastsussex.gov.uk