



Schools Forum
26 January 2026

**Report from the Corporate Director
of Children Young People and
Community Development**

Early Years National Funding Formula (EYNFF) 2026/27

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	N/A
List of Appendices:	None
Background Papers:	Prior financial reports to Schools Forum.
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1.0 Executive Summary

- 1.1. This report seeks Schools Forum endorsement of the local EY Funding Formula for 2026/27, following the confirmation of the DSG Early Years' (EY) Block funding for Brent.
- 1.2. The 2026/27 EY Block funding for Brent is £45.4m, an increase of 12.9% from 2025/26 allocations.

2.0 Recommendations

- 2.1. The Schools Forum is asked to:
 - 2.1.1. Note the requirement for local authorities to have an additional support 2-year-old rate that is at least equal to the rate for 2-year-old children of working parents.

2.1.2 Endorse Brent's EY Funding Formula for 2026/27, as supported by the EY Funding Subgroup. The following updates have been applied to the Early Years National Funding Formula (EYNFF):

- a) A universal base rate for Brent providers for 3 and 4-year-old funding of £6.33 per hour. This represents an 9.9% increase of £0.57p from £5.76 in 2025/26.
- b) Following a review of the benchmarking data, a reduction in the deprivation supplement from 10% to 5% from the 3 and 4-year-old funding allocation, bringing it in line with other local authorities.
- c) A base rate of £9.91 to pay Brent providers for the additional support (formerly known as the disadvantaged) 2-year-old entitlement. This represents a 1.4% increase of £0.14 from £9.77 in 2025/26.
- d) A base rate of £9.51 to pay Brent providers for the 2-year-old working parent entitlement. This represents a 0.7% increase of £0.07 from £9.44 in 2025/26.
- e) A base rate of £13.00 to pay Brent providers for children aged 9 months up to 2 years. This represents a 0.6% increase of £0.08 from £12.92 in 2025/26.
- f) A reduction of 1% (from 4% to 3%) of funding centrally retained by the local authority from the 3 and 4-year-old funding, following the DfE's mandatory requirement to pass through a minimum of 97% of this funding to early years providers.
- g) An increase from 2% to 3% in centrally retained funding by the local authority from 2-year-old working parent and 9-months old to 2-year-old working parents, in line with the DfE's requirement to pass through a minimum of 97% of this funding to early years providers.
- h) An allocation of £0.644m for the Special Educational Needs Inclusion Fund (SENIF), in line with the DfE's expectation that local authorities earmark this funding for children below compulsory school age with special educational needs (SEN) eligible for or taking up the new and existing entitlements, regardless of the number of hours taken and based on local eligibility. This funding will be allocated by the Under 5s Nursery Panel, and both PVI and maintained providers can apply for this funding. The SENIF will continue to target children with low-level and emerging needs, ensuring inclusive provision for vulnerable children.
- i) An introduction of a contingency fund of £0.37m to help manage fluctuations in the take up of the entitlements after the census. This fund will serve as a key mechanism for maintaining flexibility and support the management of volumes and budgets throughout the year. A contingency fund is needed for 2026/27 in response to the DfE's move to a termly funding system, where all early years' entitlement will be funded based on actual termly census headcounts.

2.2 The Schools Forum is asked to note that local authorities must announce their funding rates to childcare providers by 28 February 2026, as this deadline is now a statutory requirement under the regulations from the financial year 2026/27.

3.0 Contribution to Borough Plan

3.1 This report is linked to the Council's Borough Plan which aims to support babies, children and young people to get the best start in life, by working in partnership with schools and other partners to make sure access to education is fair and equal.

4.0 Summary of funding for Brent

4.1 The 2026/27 Brent EY Block funding has increased by £5.1m to £45.4m compared to 2025/26. £22.1m (49%) of the total allocation relates to the entitlements for eligible working parents.

4.2 The indicative supplementary funding allocation for maintained nursery schools (MNS) has increased by 0.9% from £0.91m to £0.92m and the funding rate has increased by £0.27p from £7.08 to £7.35 in 2026/27.

4.3 The EYNFF hourly rate for 3 and 4-year-olds has increased from £6.80 in 2025/26 to £7.27 in 2026/27. This represents a 6.9% increase of £0.47p. For 2026/27, each local authority has received an 'adjusted' hourly rate for 3 and 4-year-olds to reflect the move from an annual to a termly census. National analysis shows that termly census reporting results in fewer funded hours being recorded across the year, even though local authorities still need to fund the same number of hours locally. To offset the potential budget reduction from lower headcounts under the termly model, the 3- and 4-year-old rates have been adjusted to account for this variation at the national level. The rate without the termly adjustments is £7.07 for 2026/27. Table 1 below sets out the key EY funding amounts.

Table 1: EYNFF funding rates

3- and 4-year-olds	2024/25	2025/26	2026/27
Universal 15 hours allocation	£17.2m	£17.3m	£18.0m
Additional 15 hours allocation	£4.8m	£5.0m	£5.2m
Hourly rate before central spend	£6.59	£6.80	£7.07
Maximum % for central spend	5%	4%	3%
Hourly rate after central spend removed	£6.26	£6.53	£6.86
Maximum % for deprivation	10%	10%	5%
Maximum % for quality supplement	2%	0%	0%

Maximum % for contingency	0%	0%	1%
3 and 4-year-old base rate	£5.39	£5.76	£6.33
MNS supplementary funding	£0.84m	£0.91m	£0.92m
MNS supplementary funding rate	£6.27	£7.08	£7.35
2 year olds			
2-year-old additional support funding allocation	£3.6m	£3.4m	£4.0m
2-year-old working parents funding allocation	£3.9m	£5.9m	£8.0m
Hourly rate for 2-year-old allocation	£9.59	£9.77	£10.04
Under 2-year-olds			
Under 2-year-old working parents funding allocation	£2.9m	£7.7m	£8.9m
Hourly rate for under 2 working parents	£13.07	£13.32	£13.67

4.4 The government's intention to increase the minimum pass-through rate to 97% for all early year's entitlements will be fully implemented from 2026/27. Although the requirement applies separately to all entitlements, no deduction for central spend has been made from 2-year-old additional need entitlement, with the intent to pass on a higher rate to the providers. The increase in pass-through rate has resulted in a £0.265m reduction in the central spend previously deducted from the 3 and 4-year-old funding. However, this impact has been largely offset by corresponding increase of £0.272m to 2-year-old working parent entitlement and under 2-year-old entitlements. These changes have led to a small net increase of £7.2k in the central expenditure allocation compared to 2025/26.

5 A universal base rate for Brent providers for 3 and 4-year-old funding

5.1 The 3 and 4-year-old funding will be distributed to providers as a universal base hourly rate plus additional allocations for deprivation following a 3% reduction for central spend. The universal base rate to providers has increased from £5.76 in 2025/26 to £6.33 in 2026/27 as shown below:

a) Overall hourly rate received from DfE	£7.07
b) Remove central spend of 3%	£6.86
c) Allocate to Specialist Nursery Panel (0.13p)	£6.73
d) Reduce by allocation for deprivation (£6.73 x 95%)	£6.39
e) Allocate to contingency (£6.39 x 99%)	£6.33

5.2 Funding supplements are amounts of funding paid to providers in addition to the base rate to reflect local needs or policy objectives. The DfE requires local authorities to use a supplement to recognise deprivation in their areas. While the maximum permitted for supplements at Brent remains at 10%, it is proposed to

reduce the deprivation rate from 10% to 5% from 2026/27 to better align with the approach taken by other local authorities following a benchmarking review based on data provided by the DfE. This approach would also ensure that more funding is allocated to the base rate to be passed on to providers directly. It is proposed that the deprivation supplement continues to apply to the 3 and 4-year-old entitlement in 2026/27, equating to £0.34p per hour.

5.3 Deprivation funding is allocated using the Income Deprivation Affecting Children Index (IDACI), which scores postcodes based on levels of child income deprivation. Historically, allocations were based on the 2019 IDACI dataset. For 2026/27, the Department for Education (DfE) has confirmed that the updated English Indices of Deprivation 2025, including the refreshed IDACI scores, will be used for funding calculations. This replaces the previous reliance on 2019 data (and prior to that, 2015), ensuring that allocations reflect the most recent national measures of deprivation. Brent's approach aligns with this update and benchmarks against other local authorities to maintain consistency

6 Base rates for Brent providers for 2-year-old funding for 2026/27

6.1 For 2026/27 the 2-year-old additional support provisional allocation is £4.0m, representing a 17.6% increase from the last financial year. The provisional funding for the 2-year-old working parents has increased to £8.0m, a rise of 36%, primarily driven by the expansion of 30 hours entitlement for eligible working parents of 2-year-old.

6.2 The EYNFF rate for 2-year-old funding will increase from £9.77 per hour in 2025/26 to £10.04 per hour.

6.3 The DfE's provisional funding estimates are based on the January 2025 census data and as expected, the actual funding allocation for 2026/27 has increased, reflecting the increase demand for childcare for 2-year-olds compared to January 2024 figures.

6.4 The government mandates local authorities to have a disadvantaged 2-year-old rate that is at least equal to their rate for 2-year-old children of working parents. It also recognises the expectation that local authorities have SENIFs for all children with SEN. In line with this, the proposal to distribute this rate to providers is as set out below:

Base rate for the disadvantaged 2-year-old entitlement:

a) Overall hourly rate received from DfE	£10.04
b) Allocate to Specialist Nursery Panel (0.13p)	£9.91

Base rate for the working parents of 2-year-olds' entitlement:

a) Overall hourly rate received from DfE	£10.04
b) Allocation for central spend (3%)	£9.74
c) Allocate to Specialist Nursery Panel (0.13p)	£9.61
d) Allocation for contingency (0.10p)	£9.51

7 A base rate for Brent providers for under 2-year-old funding

7.1 The 30-hour childcare entitlement for eligible working parents of children aged 9 months up to 2 years, introduced in September 2025, is now fully embedded for the 2026/27 financial year.

7.2 For 2026/27, the EYNFF rate for under 2-year-old funding is £13.67 per hour.

7.3 The local authority proposes to deduct 3% from this funding allocation to contribute towards the cost of central services and as with the other free entitlements, deduct £0.13p from the pass-through rate for a contribution towards SENIF and £0.13p for contingency funding. The rate is to be applied as follows:

Base rate for the working parents of 9 months to 2-year-olds entitlement:

a)	Overall hourly rate received from DfE	£13.67
b)	Allocation for central spend (3%)	£13.26
c)	Allocate to Specialist Nursery Panel (0.13p)	£13.13
d)	Allocation for contingency (0.13p)	£13.00

8 Retention of funding for Central Spend

8.1 The DfE's guideline mandates local authorities to pass through a minimum of 97% of the EY funding to providers of childcare and local authorities can retain up to 3% for central expenditure.

8.2 The central spend supports EY services as set out below. A significant number of Brent EY settings access this support, and members of the EY Subgroup of the Schools Forum have mentioned that they regard the service as highly valued. The services include:

- Providing specialist Early Years advice and guidance to nursery schools, Early Years' settings and Family Wellbeing Centres to improve the quality of early learning.
- Supporting the inclusion of young children who have a range of SEND that may be affecting their learning and progress.
- Expanding supply and take-up of good quality early learning and childcare opportunities for all 3 and 4-year-olds and increasing numbers of 9 months to 3-year-olds from eligible families.
- Administration of the Funded Early Education Grant and related projects.
- Learning, development and Quality Assurance for practitioners from all parts of the sector including single and multi-day courses, projects, and annual conferences.

8.3 For 2026/27, the central spend budget is based upon Brent's estimates for the take-up of provision and is then fixed for the year. However, the actual income for the year will be determined by the number of 9 months to school age children taking up free entitlement places, as recorded in the termly census returns.

8.4 It is recommended that central retention of EY funding for the existing and new entitlements for 2026/27 is as set out in the table below:

Table 2: Local funding allocation for central expenditure

Entitlements	Retention for 2026/27 %	2026/27 (£)	2025/26 (£)	Increase/ (decrease) (£)
3 and 4-year-olds	3	667,850	932,843	(264,994)
2-year-olds Additional support		0	0	0
2-year-olds of eligible working parents	3	273,757	101,787	171,970
9 months to 2 years of eligible working parents	3	251,452	151,157	100,295
Total		1,193,059	1,185,787	7,271

8.5 The proposed central retention equates to £1.193m, compared to a £1.186m equivalent in 2025/26; an increase of £7.3k from the previous financial year.

8.6 The budget requirement for delivery of the current level of central services and the training offer as set out in paragraph 8.2 above is £1.21m. Whilst this provision supports the continued delivery of valued services, it is not sufficient to fully meet the identified needs for 2026/27. The funding gap will be covered from other early years funding streams.

9 Specialist Nursery Panel

9.1 This is a multi-agency panel allocating funds for children with Special Educational Needs and Disability (SEND) or Children in Need (CIN), based on eligibility criteria to assist with their successful inclusion in their setting.

9.2 The HNB allocation of £1.09m contributes to the costs associated with the children with SEND. It is proposal to deduct £0.13p across all the Early Years' entitlement funding rates to allocate to this panel to ensure the most vulnerable children receive some additional support. This equates to £0.644m for the next financial year compared to £0.587m in the current financial year. The principle remains that children with the most complex needs will be supported to attend a specialist nursery where appropriate.

Table 3: DSG Specialist Nursery Panel Budget

Proposed income	2025/26	2026/27
Income	£	£
DSG High Needs Block (HNB)	(1,089,160)	(1,090,000)
Early Years Block	(587,326)	(644,108)
Disability Access Fund	(169,778)	(223,275)
Total Income	(1,846,264)	(1,957,383)
Expenditure		
Early Years Inclusion Fund for specialist nurseries	724,988	697,500
Inclusion fund for 3 & 4-year-olds in non-specialist early years provision	294,172	322,500
Staff member for EY Inclusion team	70,000	70,000
CIN for specialist nurseries	288,000	288,000
Inclusion fund for 9 months to 3 years-olds in non-specialist early years provision	204,326	291,108
Quality Assurance staff (1.5 post)	95,000	65,000
Disability Access Fund	169,778	223,275
Total Expenditure	1,846,264	1,957,383

10 Additional funding for Maintained Nursery Schools

10.1 Local authorities with Maintained Nursery Schools (MNS) will continue to receive supplementary funding for the 2026/27 financial year. The provisional allocation for Brent is £0.920m compared to £0.91m in 2025/26. This represents an increase of 0.9%.

10.2 Following the reforms introduced in 2023/24 to ensure a fairer distribution of MNS supplementary funding across all local authorities, the minimum and cap on the hourly funding rate remains in place for 2026/27. These measures continue to promote consistency and equity in funding for maintained nursery schools nationally.

10.3 This supplementary funding applies to the council's four MNSs and was previously allocated on an agreed local formula i.e., based on business rates, a lumpsum and estimated hours. The proposal is to continue to distribute this funding to the MNSs based on an hourly rate for 2026/27, in line with the DfE's change in local authority funding to an hourly rate basis.

10.4 The MNS supplementary hourly rate, inclusive of Teachers' Pay Additional Grant has increased from £7.08 to £7.35 per hour: an increase of 3.8%.

11 EY funding based on DfE's provisional allocations

11.1 Table 4 outlines the Early Years' budget based on draft allocations from the DfE and the recommendations from this paper.

Table 4: Proposed Early Years block budget

Income	2025/26 £(000)	2026/27 £(000)
Universal allocation for 3–4-year-olds	17,315	16,901
Additional hours for 3-4 years	5,077	5,361
Allocation for 2-year-olds	3,425	2,850
Allocation for 2-year-olds with working parents	5,449	9,125
Allocation for under 2-year-olds with working parents	7,709	8,382
Supplementary funding for maintained nursery schools	912	920
Disability Access Fund for 3–4-year-olds	123	165
Disability Access Fund for 2-year-olds	31	49
Disability Access Fund for under 2-year-olds	16	10
Early years pupil premium for 3–4-year-olds	166	181
Early years pupil premium for 2-year-olds	43	65
Early Years Pupil Premium for under 2 years old	3	3
Total Income	40,269	44,010
Expenditure		
Distribute to providers for 3–4-year-old universal offer	16,292	15,931
Distribute to providers for 3–4-year-old children with working parents (additional 15 hours)	4,777	5,053
Central spend	1,186	1,193
Additional panel funding	587	644
Contingency funding	0	369
Distribute to providers for 2-year-olds	3,425	2,813
Distribute to providers for 2-year-olds children with working parents	5,265	8,645

Distribute to providers for under 2-year-olds	7,444	7,970
Supplementary funding distributed to maintained nursery schools	912	920
Disability Access Fund for 3–4-year-olds	123	165
Disability Access Fund for 2-year-olds	31	49
Disability Access Fund for under 2-year-olds	16	10
Early years pupil premium for 3–4-year-olds	166	181
Early years pupil premium for 2-year-olds	43	65
Early Years Pupil Premium for under 2 years old	3	3
Total Expenditure	40,269	44,010

11.2 The Early Years allocation for 2026/27 is based on DfE estimates derived from termly census data, as set out in the operational guidance. In contrast, the expenditure reflects the local estimates of participation and provision costs. This represents a change from last year, when both allocation and expenditure were aligned to the January census, resulting in more consistency.

12.0 Stakeholder and ward member consultation and engagement

12.1 On January 7, 2026, the Early Years (EY) sub-group of the Schools Forum met to review the proposals for the upcoming year, including hourly funding rates, central retention percentages from the EY funding allocation, introduction of contingency fund and the SENIF allocations. The discussion reflected recent DfE changes, particularly the move to termly census funding.

12.2 The group reviewed the proposed hourly rates for 2026/27. They were made aware that for 2026/27, although the published rate for 3-and-4-year-old funding is £7.07, the DfE have provided an adjusted rate of £7.27 to reflect the termly census funding in 2026/27.

12.3 Concerns were raised about the NEG 2 additional support rate being lower than last year and the continued low take-up among eligible families. The group reiterated that they would like to see a higher base rate for NEG 2 additional support, similar to last year, as a financial incentive for providers supporting the most vulnerable 2-year-olds in the borough and to encourage inclusive provision.

12.4 Members noted that Brent had previously passed on the full rate last year, which was seen as positive. The group was reassured that Brent has undertaken significant outreach, including contacting families and working with Family Wellbeing Centres, but the uptake remains below expectations. It was proposed to model a higher NEG 2 additional support rate by adjusting allocations from the NEG 3- and 4-year-olds entitlements.

12.5 A request was made for a comparison of the proposed rates with last year's figures, and this was subsequently shared with the group. The cost pressures faced by the providers were highlighted, noting that DfE's uplift is around 4% while provider payroll costs have increased by up to 15% in the case of one setting. The group also discussed if a stretched funding model could be considered in the future to spread payments over 52 weeks rather than 38 weeks.

12.6 Members agreed to retain the current payment weeks and confirmed that no contingency is required for this decision. The impact of aligning Brent funded weeks with DfE funded weeks was discussed, but concerns were raised about the slower autumn intake and higher summer numbers led to the decision to keep the existing approach. Issues with a second headcount were also raised. Members agreed to continue funding using the actual Headcount 2, while challenging providers who consistently submit large numbers after the first headcount (Headcount 1). It was noted that sometimes late submissions are due to genuine reasons such as housing moves by parents or domestic abuse leading to children being moved across providers.

12.7 The group agreed to set aside a £0.667m contingency to manage risks associated with the new funding methodology. From 2026/27, take up of entitlement recorded during the second headcount will no longer be funded by DfE, creating a potential financial shortfall. Previously, underspends were managed across other entitlements, but tighter controls are now needed. It was agreed that contingency levels will be reviewed next year based on actual data.

12.8 Members also reviewed the deprivation funding and agreed to reduce the allocation from 10% to 5%, following benchmarking and alignment with other local authorities. The group noted that increasing the base rate was seen as a fair way to offset this adjustment and the group agreed this approach is more equitable.

12.9 Members were consulted on proposed changes to payments, both because of new statutory requirements and the need to end some local arrangements due to financial pressures. The group was consulted on the following:

1. Ceasing the local arrangements to make notice period payments to early years providers put in place in 2017 as provider sustainability support when parents left without providing the necessary notice. With a significant increase in these payments to providers, this has become financially unsustainable.
2. Ceasing of free entitlement payments for reception children during their staggered start to school. As per statutory guidance, reception children are not entitled to this funding, and it proposed to end this in Autumn term 2026.
3. Change to a system of monthly payments as result of the new statutory requirement for all LAs to offer a monthly payments system to any provider requesting this.

Proposal 1 was agreed by the group. It was also agreed that further work would take place on Proposals 2 and 3, taking into consideration feedback from

members and a further meeting of the group scheduled in February 2026 for review of this work and decision making.

13.0 Financial Considerations

13.1 The financial implications have been detailed in the body of this paper.

14.0 Legal Considerations

14.1 This report has been drafted with due consideration of the Early Years Foundation Stage (EYFS) statutory framework which sets the standards that all early years' providers must meet to ensure that children learn and develop well and are kept healthy and safe.

15.0 Equality, Diversity & Inclusion (EDI) Considerations

15.1 EDI has been considered within the main body of the report.

16.0 Climate Change and Environmental Considerations

16.1 Not applicable.

17.0 Human Resources (HR)/Property Considerations (if appropriate)

17.1 HR has been considered within the main body of the report.

18.0 Communication Considerations

18.1 All School Forum papers are published, and all schools will have access to them. The final 2026/27 EY budget allocation for each school will be published on Best Brent.

Report sign off:

Nigel Chapman

Corporate Director of Children and Young People