



Schools Forum – Schools Budget 2026/27 Report

Appendix C – Early Years NEF Briefing Note and Consultation for 2026/27

Briefing note: Herefordshire Council on Early Years Funding Arrangements for 2026-27

Local Authorities must determine their funding formula before the beginning of the 2026/27 financial year. As part of the process Herefordshire Council consulted with their Early Years Provider Forum on 17th December 2025. Central retention and a rates overview will be agreed with School's Forum on 20th January 2026.

The purpose of the consultation meeting was to obtain provider views, comments and where applicable, preferred options from key partners and stakeholders regarding arrangements of the Early Years Block Funding for 2026-27 on:

- Early Years Inclusion Funding
- Early Years Central Spend
- Early Years Funding Pass Through

Timeline for the consultation and implementation of proposals to the Early Years Block

Date	Action
17 th December 2025	Early Years Provider's Forum
9 TH January 2026	Budget Working Group
20 th January 2026	Schools Forum approvals
TBC	Cabinet Sign off

Background information

“A high-quality Early Years education is vitally important. Children attend Early Years provision at a crucial developmental point in their lives. The education and care that they receive affects not only future educational attainment but also their future health and happiness.” ([Best start in life part 1: setting the scene - GOV.UK](#))

In the spring 2023 budget announcement, the Chancellor set out ambitious childcare reforms to increase availability, reduce costs and increase the number of parents accessing early education.

The budget announced a range of measures to support education and help parents with childcare using a phased implementation including;

- From **April 2024**, allowing eligible working parents of two-year-olds will be able to access 15 hours of funded childcare.
- From **September 2024**, allowing eligible working parents of children aged 9 months up to 2 years old to access 15 hours of funded childcare.
- From **September 2025**, allowing eligible working parents of children aged 9 months up to school age to access 30 hours funded childcare per week

This staggered approach should have given childcare providers time to prepare for the changes, ensuring there are enough providers ready to meet demand.

Wraparound Childcare: The government will invest further to enable schools and local providers to set up wraparound childcare provision so that parents of reception-age children can access childcare in their local area from 8am – 6pm. This could include provision of activities that fall outside of school hours, via things like breakfast clubs and after-school clubs.

Market Reforms: Including more choice for childminders and changes to EYFS requirements to improve flexibility for providers and support the workforce. This includes changes in staff child ratios, qualifications, introducing childminder grants and increasing flexibility on how and where childminders operate. [Early years foundation stage \(EYFS\) statutory framework - GOV.UK](#)

Dedicated Schools Grant (DSG)

At the Autumn Budget 2025, the government committed to the funding for the continuation of the expansion of the 30 hours entitlement and said an additional £1billion would be provided in 2026/27 compared to the previous year. The funding will be allocated through the Dedicated Schools Grant (DSG) and will provide funding for all existing Early Years funding streams:

- Entitlement for under 2-year-olds
- Entitlement for disadvantaged 2-year-olds (renamed 'FRAS' – families receiving additional support)
- Entitlement for 2-year-old children of eligible working parents
- Universal entitlement for 3 and 4-year-olds
- Additional entitlement for 3 and 4-year-old children of eligible working parents
- Early Years Pupil Premium (EYPP)
- Disability Access Fund (DAF)

National Funding Formula Guidance

- Guidance for NEF funding was issued by the Department of Education on 15th December 2025. Herefordshire Council received £27.48m in total.
- Main changes:
 - An increased minimum pass-through requirement for local authorities in 2026/27 – the pass-through rate will increase from 96% to 97%.
 - Introduction of a termly funding system which will include completion of termly headcounts (completed annually in previous years for 3 & 4 year olds).
 - A requirement that local authorities will announce their funding rates to childcare providers by 28 February 2026.
 - Funding previously provided through the NICs and Teachers Pay Grant has been rolled into the hourly rates for each category.
 - An increase of 15% to the Early Years Pupil Premium (EYPP) rates and increase of 3.9% to Disability Access Fund (DAF).
 - Funding received into the local authority for Under 2, 2 Year Olds and 3&4 Year Olds inflated between 4% and 5% (includes NIC and Teachers Pay (TP) grants)

A summary of the funding received for 2026/27 vs 2025/26 is shown below:

	25/26 EEF £m	26/27 EEF £m	Variance	Commentary
Under 2s	7.4	8.79	18.8%	Full year effect of 30 hours entitlement. Part year in 2025/26 as expansion introduced in September 25
2 Year Olds	6.15	7.31	18.9%	Full year effect of 30 hours entitlement for working parents . Part year in 2025/26 as expansion to working parents entitlement introduced in September 25
3&4 Year Old Funding- Universal	6.81	7.28	6.9%	
3&4 Year Old Funding- Extended	3.36	3.64	8.3%	
EYPP	0.23	0.32	39.1%	Rates increased from £1.00 in 25/26 to £1.15 in 2026/27
DAF	0.12	0.14	16.7%	Rates increased from £938 in 25/26 to £975 in 2026/27
Total	24.07	27.48		

Nursery Education Funding (NEF) methodology & modelling used 2026/27

- Central retention at 2.7% has funded Early Years/SEND/EEF (Early Education Funding) advisory staff, & training. **Budget 2026/27 will be kept at 2.7%.**
- SEN Inclusion Funding (SENIF) for budget 2025/26 was £150,000 (distributed to providers, allocated from all age categories). **This will remain at £150,000 for 2026/27.**
- Inflation applied to Deprivation supplement and now paid out to providers for all age categories (If applicable). **Total 2026/27 budget is £194,797.**
- Rurality was built into the 3 & 4 year olds rates for budget 2025/26 and this process will remain.
- A contingency budget has been set for 3 & 4 year olds of £327,139 to support the change from annual counts to termly counts/termly allocation adjustments. This additional growth provided in the 3 and 4 year old hourly rate is provided to support local authorities on the fluctuations of allocation throughout the year due to the change in funding process. This is one off funding.

Funding rates for 2025-26

The table below outlines the 2026/27 hourly rates with 2025/26 given as a comparison:

Funding Stream	DfE Funded Rate					Paid Out Rate - Base Funding					Paid Out Rate - Deprivation			
	Hourly Rate 25/26	Hourly Rate 26/27	Increase (£)	% Increase		Hourly Rate 25/26	Hourly Rate 26/27	Increase (£)	% Increase		Hourly Rate 25/26	Hourly Rate 26/27	Increase (£)	% Increase
Under 2s	£10.07	£10.50	£0.43	4.3%		£9.71	£10.12	£0.41	4.2%		£0.76	£0.87	£0.11	15.0%
2 Year old FRAS	£7.44	£7.80	£0.36	4.8%		£6.98	£7.51	£0.53	7.5%		£0.53	£0.78	£0.25	47.2%
2 Year Old Entitlement for working parents	£7.44	£7.80	£0.36	4.8%		£6.98	£7.51	£0.53	7.5%		£0.53	£0.61	£0.08	15.0%
Universal 3 & 4	£5.71	£6.20	£0.49	8.6%		£5.47	£5.74	£0.27	5.0%		£0.44	£0.51	£0.07	15.0%
Extended 3 & 4	£5.71	£6.20	£0.49	8.6%		£5.47	£5.74	£0.27	5.0%		£0.44	£0.51	£0.07	15.0%
Pupil Premium	£1.00	£1.15	£0.15	15.0%		£1.00	£1.15	£0.15	15.0%					
DAF	£938.00	£975.00	£37.00	3.9%		£938.00	£975.00	£37.00	3.9%					

The above table shows the funded rates from DfE for Herefordshire and the growth on these rates compared to 2025/26.

The table also shows the proposed hourly rates to be paid out to providers for each funding category, and the inflation providers will receive compared to 2025/26.

For 2026/27 hourly rates for 2 year olds, an amendment has been made to bring the 2 year old FRAS and Working Parents hourly rate in line with the DfE funded rate, to ensure we meet the pass through rate of 97% for each funding stream. In previous years, 2 year olds working parents has been top sliced and an additional funding supplement added to the 2 year old FRAS hourly rate, to promote inclusivity for the most vulnerable 2 year olds.

The hourly rates have been bought back in line with the DfE funded rates, but the 2 year old FRAS deprivation rate has been increased to compensate.

Benchmarking for Budget 2026/27

The following rates have been given by the Department for Education (DfE) for 2026/27. The rates are shown gross i.e. before any central retention:

Funding rates given by DfE/hr	Herefordshire	Shropshire	Gloucestershire	Worcestershire
Under 2s	£10.50	£10.74	£11.35	£10.98
2YO Funding - Working Parents/FRAS	£7.80	£7.92	£8.37	£8.11
3&4YO Funding - Universal/Extended	£6.01	£6.01	£6.03	£6.01
EYPP	£1.15	£1.15	£1.15	£1.15
DAF	£975	£975	£975	£975

Larger fluctuations in rates between local authorities can be seen for the under 2s and 2 year old working parent/FRAS sectors. The differences in the hourly rates funded are mainly due to the following:

- Main variation between funding rates given by DfE is driven by the base rate due to the area cost adjustment (ACA) applied to national rate.
- Income Deprivation Affecting Children Index (IDACI) band A-C PTE's higher in Gloucestershire & Worcestershire (Bands A-C attract higher funding due to higher deprivation).

Central retention 2.7% - what will it be used for?

- For Budget 2026/27 centrally retained services is capped at 3%, Herefordshire Council will be using 2.7% (in line with 2025/26 budget)
- As the total funding has increased year on year, the increase in funding will be used to fund additional roles needed, including all associated costs for these members of staff, for the increase in EY provision.
- The roles that the central retention will fund are:
 - Early Years Improvement advisors
 - Early Years Area SENCOs
 - Early Years Lead Improvement Advisor
 - Early Education Funding Auditing Officer
 - Early Education Funding Team
- The high-level summary of the duties carried out by the team are as follows:
 - Supporting all Herefordshire early years providers (PVI, schools, childminders) to deliver high-quality, inclusive early learning. Our offer includes universal updates/resources, targeted post-inspection support and market management to meet childcare sufficiency across the county.
 - Helping children with SEND to access and thrive in early education through the Graduated Approach, setting based advice, Portage home visiting, and specialist communication/ASC support—working closely with the All Age SEN (EHC) team, health partners, and the Early Years Advisors.
 - Make payments/adjustments/headcount/census for Early Year.

2026/27 Early Years Block

- Herefordshire's Early Years Block funding of £27.48m will be allocated as follows:

Funding	Hourly rate paid to providers	2026/ 27 Budget
Under 2	10.12	8,475,948
2 Year old FRAS	7.51	1,036,024
2 Year Old Entitlement for working parents	7.51	5,995,511
Universal	5.74	6,744,799
Extended	5.74	3,369,650
Pupil Premium	1.15	310,615
DAF	975.00	136,500
Centrally Retained		729,672
SENIF		151,339
Deprivation		194,797
Contingency		327,139
Total		27,471,995
Allocation 2026/27		27,471,995
Check to Allocation		0

- The Early Years Block 2026/27 Allocation will be amended as follows:
 - Autumn of 2026 to reflect the Summer Term Early Years and Schools Census data.

- Spring 2027 for the updated Autumn Term Early Years and Schools Census Autumn data.
- July 2027 will be the final Early Years Block update to reflect the Spring term Early Years and School Census data.

Schools Forum

Schools Forum's Budget Working Group (BWG) to review NEF on 9 January 2025. Schools Forum will meet on 20 January 2026 to agree the 2.7% central retention funding & local authority funding rates for 2026/27. Two Early Years representatives attend on behalf of the sector. If agreed the proposed NEF rates will commence from the beginning of the summer term 2026.