

Divisions Affected - ALL

**DELEGATED DECISIONS BY CABINET MEMBER FOR CHILDREN
AND YOUNG PEOPLE**

24 February 2026

Formal Approval of Early Years Funding Formula 2026/27

Report by Director of Children's Services

RECOMMENDATION

The Cabinet Member is **RECOMMENDED** to

- a) **Pass the funding increase received by Oxfordshire onto providers (after allowing for centrally retained funding per Department of Education (DfE) criteria) and approve the 2026-27 Early Years funding formula for 3- and 4-year-old provision with an underlying hourly rate of £6.04 (excluding the supplements, SEN Inclusion Fund and Contingency).**
- b) **Pass the funding increase received by Oxfordshire onto providers (after allowing for centrally retained funding per Department of Education (DfE) criteria) and approve the 2026-27 Early Years funding formula for 2-year-old working parent provision at an hourly rate of £8.29.**
- c) **Pass the funding increase received by Oxfordshire onto providers (after allowing for centrally retained funding per Department of Education (DfE) criteria) and approve the 2026-27 Early Years funding formula for 2-year-olds of families receiving additional support at an hourly rate of £8.29.**
- d) **Pass the funding increase received by Oxfordshire onto providers (after allowing for centrally retained funding per Department of Education (DfE) criteria) and approve the 2026-27 Early Years funding formula for 9 Months to 2-year-old provision at an hourly rate of £11.33.**

Executive Summary

1. The local authority is required to set the funding formula within DfE criteria for:
 - (1). 9 Months to 2-year-old
 - (2). 2-year-old provision

- (3). 3- and 4-year-old provision
2. The 2026-27 formula proposed is in line with the DfE national formula introduced in 2017-18.
3. The local authority is responsible for making the final decisions on the formula.
4. Early Years Providers and Schools Forum were consulted on the Early Years Funding Formula, and the overwhelming response was to pass on the increase in hourly rate in full to providers.

Introduction

5. In 2017-18, the Department for Education (DfE) introduced the Early Years National Funding Formula (EYNFF). This formula sets out the hourly funding rates that each Local Authority (LA) will receive from the government funded entitlements for 3 and 4- year-olds, 2-year-olds and from 9 months to 2-year-olds. The DfE published the Early Years Entitlements: local authority funding for providers (the Operational Guide) on 15th December 2025 and this sets out the overall framework and expectations on Local Authorities regarding the EYNFF for 2026-27.
6. The hourly rate which Oxfordshire's receives from the DfE to deliver all elements of the formula for 3- and 4-year-olds has increased by 43p from £6.00 to £6.43 (7.2%); for 2-year-olds the formula has increased by 29p from £8.38 to £8.67 (3.5%) and for 9 months to 2-year-olds the increase is 39p increasing from £11.35 to £11.74 (3.4%). This is inclusive of amounts for central services, supplements (mandatory deprivation supplement), the Contingency, and the SEN Inclusion Fund delegated funding.

The Early Years Funding Formula

7. The DfE published the updated [EYNFF Operational Guide](#) (December 2025), which sets the overall framework and expectations on local authorities regarding the EYNFF.
8. The proposed 2026-27 formula follows principles that were established when the EYNFF was first introduced in 2017-18.
9. The key elements of the formula, meeting DfE requirements, are:

The formula relates to the following early years entitlements: (all entitlements are 38 weeks a year unless stretched)

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

- d) 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.
- e) A minimum amount of funding to be passed through to providers. The pass-through requirement is intended to ensure the maximum amount of funding allocated to local authorities by the DfE reaches providers. The pass-through funding level is set by the DfE and for 2026-27 the minimum pass-through rate has increased from 96% to 97%. The new 97% requirement will apply separately to each of the four early years entitlements listed in 10.a-d. Oxfordshire are proposing a passthrough rate of 97% with a 3% centrally retained fund (£3.79m).
- f) A local universal base rate for all types of providers – Local authorities are required to set a universal base rate in their local single funding formulae, meaning there must be a base rate the same for all types of providers. This underlying base rate excludes Supplements, the SEN Inclusion Fund allocations, and any agreed upon Contingency fund(s).
- g) A mandatory supplement for Deprivation for 3- and 4-year-olds. LAs have the freedom to choose the appropriate metric for allocating deprivation funding. LAs are free to choose the metric used however funding rates are set by the DFE. Following earlier consultation, the method for allocating deprivation funding was agreed as an enhancement on top of the Early Years Pupil Premium (EYPP). The EYPP rate has increased from £1.00 in the current year to £1.15 in FY 2026-27. The deprivation supplement was set at 47p per hour in FY 2024-25, There has been no change to that rate in FY 2025-26 or 2026-27. (The 47p supplement also applies to additional hours, although EYPP can only be paid on universal 15 hours).
- h) A special educational needs (SEN) inclusion fund. This is to target funding at children with lower level or emerging SEN.
- i) A contingency fund set aside for changes in the number of children taking up the entitlements throughout the year.

10. Additional funding streams are as follows:

- a) The disability access fund (DAF). The DAF was introduced in April 2017 to support disabled children's access to the entitlements for 3- and 4-year-olds. From 2024-25 DAF eligibility was extended to eligible 2-year-olds and children 9 months to 2 years, accessing the entitlements. LAs must fund all types of settings providing a place for DAF-eligible children at an annual rate of at least £975 per child in 2026-27.
- b) Early Years Pupil Premium (EYPP). The EYPP gives providers additional funding to support children from families receiving additional support accessing an entitlement place. For 2026-27 EYPP covers all children who are accessing the entitlements and meeting the eligibility criteria (detailed in section 9.1 of the early years operational guidance). LAs must fund early years providers at a rate of at least £1.15 per hour per eligible child on the first 15 hours only up to a maximum of 570 hours.

- c) Supplementary funding for maintained nursery schools (MNS). LA's with MNS will receive supplementary funding for the 2026 to 2027 financial year for universal 3- and 4-year-old entitlement hours only. The minimum hourly rate provided by the DfE for 2026-27 is £5.47 and the cap has been set at £10 per hour.

Financial Implications

11. The report deals with the funding formula for Early Years for 2026-27 and recommends a formula in line with statutory guidance.
12. The proposed formula for 3- and 4-year-olds, 2- year-olds and 9 months to 2-year-olds has been modelled in line with the initial allocation published by the DfE in December 2025. Each year, there is uncertainty around the take-up of the number of hours for each entitlement.
13. For all Early Years funding streams (excluding DAF), the DfE will update the allocations for the funding streams three times for the 2026-27 financial year as the termly census number become available. Final funding allocations to the LA for 2026-27 will be updated in July 2027, to reflect the adjustment for the January 2027 spring term census. This final funding allocation will be after the end of 2026-27 financial year, which means that there is considerable uncertainty regarding the final level of funding for 2026-27, as in previous years.
14. For the final funding allocations, the termly censuses for all the early years funding streams (except DAF), for the 2026 to 2027 financial year will be calculated as a weighted average, along with the AP census, in accordance with the DSG technical note as published in December 2025.

Comments checked by:

Jane Billington, Strategic Finance Business Partner

Legal Implications

15. The School and Early Years Finance (England) Regulations 2026 provide the legal basis for DfE to formulate the Early Years National Funding Formula which must be followed by the Council. The Council has also considered and applied the supporting Guidance on Early Years Entitlements: Local Authority Funding Operational Guide 2026 to 2027 (updated 13 January 2026) and this report sets out how the EYNFF is implemented by the Council.

Jay Akbar, Head of Legal & Governance and Deputy Monitoring Officer

Staff Implications

16. There are no new staffing implications.

Equality & Inclusion Implications

17. The County Council is passing on the Early Years Funding in line with DfE guidance. The Council therefore relies on the DfE review of Equality & Inclusion implications.

Sustainability Implications

18. There are no sustainability implications.

Risk Management

19. There are significant risks in setting the EYNFF for 2026-27 due to the funding being updated on the termly census data and setting the provider rate at the beginning of 2026-27, when take up information for 2026-27 is unknown. There is therefore a risk that DSG funding and payments will not match. Final funding allocations will not be known until July 2027. This risk is managed via the DSG unusable reserve.

Lisa Lyons
Director for Children's Services

Background papers: None

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