



Northumberland County Council

**To: All Childminders,
Managers of PVI and Nursery
Settings
and the Headteachers of all
First and Primary Schools**

Enquiries to: David Street
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Date: 22.01.2026

Dear Early Years Colleague,

I am writing to inform you about the proposals for Early Years funding rates in Northumberland for the financial year 26/27. This letter is a request for you to take part in a consultation on the proposal. The end of this letter displays a brief background of the facts and the proposed rates.

I would like you to consider the proposal and if you wish to respond please e-mail comments to eve.black@northumberland.gov.uk by Friday 6th February. Your e-mail could contain other information, suggestions or points of view which will be considered during the consultation process.

Schools Forum discussed all aspects of the proposals on 21.01.2026. That body has recommended the council implements these rates from summer term 26.

I appreciate the time taken to give your views and apologise for the short turnaround time, unfortunately this is dictated by DfE timescales.

I look forward to considering your responses.
Yours sincerely,

Director for Education, SEND and Skills

Email David.Street@northumberland.gov.uk



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Early Years Funding Consultation for 26/27

Early Years Block Funding 2026/27

Background

Since April 2017, the Early Years Block has been funded through a National Funding Formula (NFF), incorporating multiple area adjustments. Northumberland has always been funded at the minimum NFF rate. Significant growth in funded entitlements was introduced in 2024/25 as part of the Government's childcare support package for working parents:

- September 2024: 15 hours funded childcare for eligible children from 9 months
- September 2025: Increase to 30 hours for eligible children

As a result:

- In 2025/26 the Early Years Block increased by 40% compared to the previous year
- In 2026/27 there is a further 25% growth as extended entitlements moved towards full rollout (increase from 15 hours to 30 hours for working families with children aged nine months to two years from September 2025)

Proposed Funding Principles for 2026/27

The proposals for 2026/27 are based on the following principles:

1. **Maximise base rates** to passport as much funding to providers as possible, supporting:
 - a. Market sustainability and sufficiency
 - b. Rising staffing costs, including minimum wage, pensions, and NI contributions
2. **Maintain a deprivation supplement** for 3- and 4-year-olds entitled to Early Years Pupil Premium (EYPP) to support **Building Stronger Inclusive Learning (BSiL)** and the council's equalities agenda
3. **Introduce a deprivation supplement** for 2-year-olds entitled to EYPP to ensure the youngest most deprived children are supported in line with 3- and 4-year-olds
4. **Maintain the SEND Inclusion Fund (SENIF)** proportionally based on previous year's spend, reflecting more embedded extended entitlements this year
5. Apply a **contingency** to mitigate risks associated with termly census points

Pass-Through Rate

The national minimum pass-through level (percentage paid directly to providers) has increased from 95% to 97%. Historically, Northumberland settings have received a pass-through above

97%; for 2026/27, proposed pass through is 97.9% to support principle 1. This is the highest pass-through rate ever.

Maintain 3-4 YO deprivation supplement and introduce one for 2YO

The maintenance of the 3-4YO and introduction of a deprivation supplement for 2-year-olds represents a targeted investment in reducing inequalities and improving outcomes for our youngest disadvantaged children. By directing resources where they have the greatest impact, this approach strengthens early intervention, supports inclusive provision, and aligns with the Best Start in Life strategy to ensure every child can thrive. This will support principles 2 and 3.

Inclusion Funding

It is mandatory to maintain an Early Years Inclusion Fund. The proposal is to retain 0.35% of the base rate taken proportionately from each age group in relation to 25/26 spend. This creates a budget of £183,098.00 and an increase of £41,000 from 25/26. This can be further supported by any DAF underspend if need increases due to entitlement growth. This approach supports the principle of equity by directing resources where they are most required, enabling providers to deliver high-quality, inclusive care for all children. Whilst stabilising the base rates for each age range by not cross subsidising. This supports principle 4.

Census Changes 2025/26

The DfE directive to apply termly census points for early years funding reduces previous financial flexibility in allocations, as funding now adjusts based on actual participation rather than fixed annual estimates. This increases financial risk from over- or under-allocation.

To combat this risk a contingency of 0.58% from 3- and 4-year-old is proposed to:

- Cushion volatility from headcount changes, based on historical data.
- Maintain provider stability and reduce the risk of mid-year rate cuts.
- Support statutory pass-through compliance while allowing flexibility.
- Reduce clawback risk from overestimated allocations.
- Enable responsive funding for unexpected demand without harming core budgets.

This contingency strikes a balance between financial resilience and maximising funding flow to providers. This supports principle 5.

Proposed Hourly Payment Rates 2026/27

Entitlement	2025/26 Base Rate	2026/27 Base Rate	% Increase	2026/2027 Disadvantaged Rate
3-4-year-olds**	£5.50	£5.90	7.2%	£7.75

2-year-olds**	£7.55	£7.85	3.9%	£9.70
Under 2-year-olds**	£10.25	£10.70	4.4%	£11.85
EYPP (first 15 hrs)	£1.00	£1.15	15%	N/A
EYPP and EYPP+	£1.76 3/4YO only	£1.85 2/3/4YO only	5.1%	N/A
DAF (annual)	£938	£975	4%	N/A

**Includes 6% notional SEND funding

Note all supplements contribute to the pass-through rate and that the base rates only represent a proportion of the funding available to providers.

Impact and Rationale

The proposal for 2026/27 delivers an **average 5.17% increase** in early years funding, representing a significant step toward supporting the sector.

This uplift will:

- Help providers manage rising staffing costs driven by national wage increases and recruitment challenges
- Strengthen financial sustainability, enabling settings to absorb inflationary pressures and invest in workforce development
- Enhance deprivation and inclusion funding to benefit disadvantaged children, narrowing the gap in **Good Level of Development (GLD)** and promoting equity

While positive, the move to **termly census points** introduces potential funding volatility, requiring careful planning and contingency measures to maintain stability throughout the year.

