Department for Education

Guidance

Early years entitlements: local authority funding operational guide 2026 to 2027

Updated 7 January 2026

Applies to England

Contents

1. Introduction

1.1 Who is this publication for?

This guide is for:

- local authorities
- early years providers
- other early years stakeholders who may find it useful

Local authorities should follow this guidance when funding childcare providers to deliver the early years entitlements in the financial year 2026 to 2027.

The early years entitlements are:

- the 30 hours [footnote 1] entitlement for qualifying children of working parents aged from 9 months until the child turns 2 years old
- the 30 hours entitlement for qualifying children of working parents aged 2
- the 15 hours entitlement for families with 2-year-olds receiving additional forms of support (formerly known as the 2-year-old disadvantaged entitlement)
- the universal 15 hours [footnote 2] entitlement for all 3 and 4-year-olds and the additional 15 hours entitlement for qualifying children of working parents aged 3 and 4

The guide also covers the additional funding available through:

- maintained nursery school (MNS) supplementary funding for 3 and 4-year-olds
- the disability access fund (DAF) for eligible children accessing the early years entitlements
- the early years pupil premium (EYPP) for eligible children and looked after children accessing the early years entitlements

Funding for these entitlements and other funding streams form the early years block of the dedicated schools grant (DSG). Details of local authority indicative funding allocations for the early years funding block in 2026 to 2027 will be published in

December 2025.

Local authorities are expected to follow this guide, which is intended to help them to fund early years providers to deliver the early years entitlements in accordance with their legal obligations and government policy. It is not intended to cover the way in which the Department for Education (DfE) funds local authorities themselves, as this is set out separately in the early years funding technical note accompanying this guide, and will also be set out in the forthcoming DSG technical guide and the DSG: conditions of grant for 2026 to 2027.

Where this guide uses the word 'must', this refers to a local authority's legal obligations set out in legislation or the DSG conditions of grant, which a local authority is required to comply with.

We have provided further guidance on areas relevant to the funding of the early years entitlements in the following GOV.UK publications:

Early education and childcare: statutory guidance

High needs operational guidance

Schools forums operational and good practice guide

1.2 Monitoring and compliance

We will use the planned budget and expenditure information provided by local authorities in their annual section 251 (s251) early years proforma and main table to monitor compliance with all the policies set out in this guide and the underpinning regulations and DSG conditions of grant.

We will use the early years funding benchmarking tool to publish information about local authority compliance.

To support transparency and effective financial planning, we will review local authority outturn expenditure data for the financial year (once it becomes available).

2. Changes for 2026 to 2027

For the financial year 2026 to 2027, we are making a small number of changes to the operational guide. The updates that have been made are intended to ensure the funding system supports the delivery of the early years entitlements.

The main changes to the guidance are:

- confirmation of an increased minimum pass-through requirement for local authorities in 2026 to 2027 – the minimum pass-through rate will increase from 96% to 97%
- confirmation that the 28 February deadline, by which local authorities must announce their funding rates to childcare providers, is now a statutory requirement
- information on how we will be allocating funding to local authorities when we move to a termly funding system for all the early years funding streams from financial year 2026 to 2027
- information on changes to the eligibility criteria for the special educational needs inclusion fund (SENIF)

As set out in the Best Start in Life publication in July 2025, we will be reviewing early years funding arrangements and will consult on changes to how early years funding is allocated and distributed by the summer of 2026.

3. National funding to local authorities

3.1 DSG funding rates

The early years national funding formulae (EYNFF) are used to determine the hourly rates for individual local authorities for the early years entitlements. For the financial year 2026 to 2027, we will be providing each local authority with 3 separate hourly funding rates:

- an hourly funding rate for children aged 9 months up to 2 years for the eligible working parent entitlement
- an hourly funding rate for both 2-year-old entitlements which will be the same for families of 2-year-olds receiving additional support and eligible working parents of 2-year-olds

- an hourly funding rate for 3 and 4-year-olds for the universal and additional hours entitlements

3.2 Funding formulae updates

For 2026 to 2027 we have made no changes to either the 3 and 4-year-old formula, or the formula for 2-year-olds and under, other than updating for the latest available data for the formulae factors [footnote 3].

You can read more about the funding rates for all local authorities for 2026 to 2027, together with a technical note that provides more detail on the funding formulae at early years funding: 2026 to 2027.

However, for 2026 to 2027, there are 2 key adjustments we have made to local funding rates that local authorities should factor into their planning:

- funding provided through the 2025 to 2026 early years national insurance contributions and teachers' pay grant (EYNTPG) has been rolled into the national average funding rate for 3 and 4-year-olds, 2-year-olds and 9 months to 2-years-old. Local authorities will not, therefore, receive a separate EYNTPG allocation in 2026 to 2027
- in including this funding at national level, we have reflected the scope of the 2025 to 2026 EYNTPG and have streamlined our approach to rolling funding in, compared to equivalent teachers pay funding in previous years
- from financial year 2026 to 2027, we are introducing a termly funding system to fund all the early years entitlements on termly census headcounts, as we already do for the working parents' entitlements for 2-year-olds and under. We are also revising the allocation profile to better match the number of funded weeks local authorities fund providers each term. This change will improve the accuracy of our funding allocations and better align our funding patterns with those of local authorities. To support local authorities to plan their budgets for 2026 to 2027 we have made adjustments to the 3 and 4-year-old funding rates, and in how we have determined local authorities' indicative allocations for the established entitlements, that is the entitlements for 3 and 4-year-olds and families of 2-year-olds receiving additional support. These are explained in further detail in section 3.3: 'Impact of termly funding on funding rates and indicative allocations' below

3.3 Impact of termly funding on funding rates and indicative allocations

To reflect the change from an annual to a termly census, we have adjusted the 3 and 4-year-old funding rate and how the indicative allocations have been published for the established entitlements.

3.3.1 Impact on funding rates

For the 3 and 4-year-old entitlements, our analysis shows that changing from an annual to a termly census will result in a lower number of funded hours being reported across the year, at a national level. However, we recognise that local authorities will still need to fund the same number of hours locally. To compensate for the budget reduction local authorities would otherwise see from reduced headcounts under a termly funding model, we have adjusted the 3 and 4-year-old rates, reflecting the termly variation at the national level.

This means, in financial year 2026 to 2027, each local authority will receive an 'adjusted' hourly rate for 3 and 4-year-olds after allowing for the termly funding adjustment. This change will only take place in 2026 to 2027 to support transition and will not be an ongoing adjustment. For the vast majority of local authorities, this means they will see a further increase to their hourly rate, on top of their normal year on year increase. Details on how we have applied the termly adjustment to the 3 and 4-year-old funding rates is explained in the EYNFF technical note and the step-by-step calculations table. Both can be found on the early years funding 2026 to 2027 page.

3.3.2 Impact on indicative allocations

With the move to funding all the early years funding streams on a termly basis, we want to ensure local authorities' DSG early years block indicative budget allocations reflect termly variation from the outset. This is to support local authorities with their budget setting and management of DSG adjustments in the first year of a termly system.

The indicative allocations for the entitlements for working parents of children aged 2-years-old and under will be based on estimated take-up as set out in the 2026 to 2027 early years funding technical note.

To determine the indicative allocations for the established entitlements, we have applied a national level termly variation assumption to each local authority's spring 2025 census data. The termly variation assumption is based on termly data provided by local authorities following a voluntary data collection in summer 2025. We have applied the same assumption for all local authorities rather than use local authorities' individual data returns due to some inconsistent and incomplete data returns.

3.3.3 Guidance for local authorities on how to use the rates and indicative allocations in setting local rates

The assumptions we have used to reflect termly variation has been made at the national level.

For local authorities to be able to plan their 2026 to 2027 budgets accurately, we strongly recommend they consider their own forecast of the termly headcounts they expect to fund each term for each of the early years entitlements and estimate their local budget total needed.

In setting local funding rates, local authorities should look at the funding rates we have provided in the EYNFF step-by-step table 'with' and 'without' the termly adjustments. We would expect local authorities to pass-on an uplift to their provider rate which is broadly in line with their DfE's unadjusted year-on-year percentage uplift, that is, using the rates and uplifts from the 'without termly adjustment' columns in the EYNFF step-by-step tables.

Please note since the indicative allocations are based on the termly adjusted rates, the DSG early years block allocations table only include the termly adjusted rate.

To assist local authorities to calculate the budget they expect to receive from DfE, we will publish an 'Early years funding allocation calculation tool' which local authorities can use to calculate their early years budget under a termly funding system using their own termly headcount forecast data.

3.4 Methodology for early years DSG funding allocations

Local authorities will be funded for early years provision through the early years block in the DSG.

Funding for all the early years funding streams (except for DAF) will be based on data from the termly early years and school censuses, and the annual alternative provision (AP) census, with funding adjustments to the early years block of the DSG following the termly collections.

Funding for DAF will continue to be based on an annual estimate of eligible children.

3.4.1 Part-time equivalents (PTEs) explained

Funding for the early years entitlements is based on part-time equivalent (PTE) hours. We define 1 PTE as 15 hours across 38 weeks a year (that is, 570 funded hours per annum). This means the number of funded weeks (as a proportion of the full year) is applied to the PTE figures so that we can use a standardised method to calculate the funding allocations, whereby the annualised PTE is always multiplied by 15 hours and 38 weeks. We will consider 15 hours as 1 PTE and 30 hours as 2 PTEs.

3.4.2 Methodology for termly funding allocation

To ensure local authorities are accurately funded as we move to a termly funding system, we will be revising the funding allocation methodology to better match local authorities' delivery profile each term for all the early years funding streams, except DAF which will remain an annual allocation.

We recognise planned delivery of the entitlement hours for each term will not be the same for all local authorities. Data from local authorities show the funded weeks on average are: 13 weeks in the summer term, 14 weeks in the autumn term and 11 weeks in the spring term. In order to ensure all local authorities are fairly treated and the funding allocation methodology aligns closely with local authority delivery pattern, we will be providing all local authorities with funding for 13 weeks in the summer, 14 weeks in the autumn and 11 weeks in the spring for all the early years funding streams.

We recognise the revised allocation profile may not match some local authorities' local delivery pattern. In such cases, local authorities should manage this by adjusting between terms to manage the position across the year and/or use their contingency funding as required.

For the final funding allocations for all the early years funding streams (except DAF), the PTEs for the 2026 to 2027 financial year will be calculated as a weighted average of the termly census PTE numbers from the early years and school censuses as follows:

- thirteen-thirty-eighths of the summer 2026 census PTE numbers (to cover the April 2026 to August 2026 period)

plus

- fourteen-thirty-eighths of the autumn 2026 census PTE numbers (to cover the September 2026 to December 2026 period)

plus

- eleven-thirty-eighths of the spring 2027 census PTE numbers (to cover the January 2027 to March 2027 period)

We will also use the PTE numbers from the AP census, which is an annual census therefore the PTE weighting will be thirteen-thirty-eighths of the 2026 AP census and twenty-five-thirty-eighths of the 2027 AP census.

Details on the funding allocation methodology can be found in the DSG technical note when published in December 2025.

3.4.3 Accounting for stretched entitlements hours in termly census

The early years entitlement hours are typically up to 15 hours (or up to 30 hours for eligible working parents) a week, across 38 weeks a year. However, some children may 'stretch' the usual standard pattern, by taking up fewer hours each week across more than 38 weeks a year.

The termly early years censuses will collect 2 data items for each of the early years entitlements: that is, the hours taken in census week and entitlement weeks. Entitlement weeks records the number of weeks across the year the child is taking their entitlement hours. Children who take their entitlement hours term-time only should be recorded as 38 weeks. Children who stretch their funded entitlement hours across more than 38 weeks should be recorded as the relevant number of weeks.

The information from 'entitlement hours' and 'entitlement weeks' will be used to calculate a child's PTE for each of the entitlements.

PTE = (entitlement hours × entitlement weeks) ÷ 570

The following examples demonstrate how different scenarios should be recorded. The same calculation methodology applies for the 15 hours entitlements and the 30 hours entitlements.

Example 1 – child taking full entitlement term time only
A child taking their full funded entitlement term time only would be recorded as 15 funded hours and 38 funded entitlement weeks. Their PTE for the funded entitlement would be calculated as:

(15 funded entitlement hours × 38 funded entitlement weeks) ÷ 570 = 1.0 PTE

Example 2 – child stretching their full 15-hour entitlement
A child stretching their funded entitlement as 11.4 hours over 50 weeks would be recorded as 11.4 funded entitlement hours and 50 funded entitlement weeks. Their PTE for the funded entitlement would be calculated as:

(11.4 funded hours × 50 funded entitlement weeks) ÷ 570 = 1.0 PTE

Example 3 – child taking less than their full entitlement term time only
A child taking 10 funded hours per week term time only would be recorded as 10 funded hours and 38 funded entitlement weeks. Their PTE for the funded entitlement would be calculated as:

(10 funded hours × 38 funded entitlement weeks) ÷ 570 = 0.67 PTE

Example 4 – child is stretching less than their full entitlement
A child stretching their funded entitlement as 9 hours over 52 weeks would be recorded as 9 funded hours and 52 funded entitlement weeks. Their PTE for the funded entitlement would be calculated as:

(9 funded hours × 52 funded entitlement weeks) ÷ 570 = 0.82 PTE

Example 5 – child is stretching their full 30-hour expanded entitlement
A child stretching their funded expanded entitlement as 22.8 hours over 50 weeks would be recorded as 22.8 expanded entitlement hours and 50 expanded entitlement weeks. Their PTE for the expanded entitlement would be calculated as:

(22.8 funded hours × 50 funded entitlement weeks) ÷ 570 = 2.0 PTE

4. Local authority funding of the entitlements – 97% pass-through requirement

4.1 Overview

For 2026 to 2027, we are increasing the minimum pass-through rate to 97% (from 96% in 2025 to 2026). This new 97% requirement will apply separately to each of the entitlements for:

- 9-month-old children up to 2-year-olds of eligible working parents
- 2-year-old children of eligible working parents
- 2-year-old children from families receiving additional support
- 3 and 4-year-olds (universal and additional hours)

For 3 and 4-year-olds, this applies to the combined universal and additional hours. For 2-year-olds and under, the 97% requirement applies to each entitlement individually and cannot be met by combining them. Disapplication requests may be submitted in exceptional cases (see section 4.8: disapplication from the 97% pass-through requirement).

This pass-through requirement ensures that the great majority of government funding reaches providers so that they can deliver the government's entitlement offers. Local authorities should consider changing pressures on local markets when determining their pass-through rate. We would encourage local authorities to be clear and transparent with early years providers around the use of centrally retained funding, particularly where it is used to support services that providers may benefit from.

For the 3 and 4-year-old entitlement for 2026 to 2027, the local authority hourly funding rate for 'D' in the pass-through calculation (see section 4.6: pass-through rate calculation explained) refers to the hourly funding rate **without** the termly adjustment. This rate can be found in the early years: funding rates and step-by-step calculations for 2026 to 2027.

4.2 What is included in the 97% pass-through?

The 97% includes the following budget lines (for each of the 4 entitlements separately):

- base rate funding for all providers
- supplements for all providers
- lump sum funding for MNS (this applies to 3 and 4-year-olds only, please note any funding from DfE's MNS supplementary allocation will be excluded − see below)

- the funding paid directly to providers from the SENIF (this includes funding drawn from both the early years block and the high needs block)
- contingency funding

For 3 and 4-year-olds, please note that the 97% is calculated with reference to the 3 and 4-year-old hourly funding rate and therefore does not take account of any MNS supplementary funding allocation a local authority receives from the government. As such, the MNS lump sum funding referred to above applies to any further funding for MNS paid from a local authority's 3 and 4-year-old universal and additional hours allocation only.

4.3 The remaining 3% expenditure

The remaining 3% expenditure could include the following:

- centrally retained funding (for central services or services in-kind, including special educational needs and disability (SEND) services)
- transfer of funding to any of the other early years entitlements
- any extra hours that local authorities choose to fund in addition to the government's entitlement hours
- any funding movement out of the early years block

The planned use of the remaining 3% expenditure should be included in both the early years s251 budget table and the information given to schools forum.

4.4 What is not included in the pass-through?

The following DSG early years block funding streams are not included in the 97% pass-through calculation:

- payments to MNS from DfE's MNS supplementary funding allocation
- DAF
- EYPP

4.5 Monitoring compliance with the 97% pass-through requirement

As in previous years, we will monitor compliance with the 97% pass-through requirement via the early years proforma in the annual s251 planned budget returns. As in section 1.2: monitoring and compliance, to support transparency and effective financial planning, we will review local authority outturn expenditure data for the financial year (once it becomes available).

4.6 Pass-through rate calculation explained

There is one formula for calculating the pass-through rate for each of the entitlements. The calculation to determine compliance is as follows:

(A − B) ÷ C is no less than 97% of D

Where:

- ‘A’ is the total of:
  - all budget shares and allocations in respect of the entitlement stream being calculated: this includes funding for base rate, supplements, EYPP and DAF for the entitlement stream being calculated
  - contingency funding nominally allocated to the entitlement stream being calculated, out of the schools budget
  - the amount of special educational needs inclusion funding for the entitlement stream being calculated, excluding any amount of SENIF which may be centrally retained by the local authority
- ‘B’ is the total of:
  - for the 3 and 4-year-old entitlements, the MNS supplementary funding allocation the local authority receives from the DfE, and
  - in all cases:
    - any amount relating to the EYPP in relation to the entitlement being calculated
    - any amount relating to the DAF in relation to the entitlement being calculated

To note: we have referred to EYPP and DAF in the description to be consistent with the way the pass-through calculation is described in regulations. However, you do not need to include EYPP and DAF in your actual calculation as they are not in scope for the pass-through requirement.

- ‘C’ is planned attendance hours for the entitlement being calculated, as reported in the s251 budget early years proforma under the ‘base rate hours’
- ‘D’ is the local authority hourly funding rate for the entitlement being calculated that can be found in the early years: funding rates and step-by-step calculations for 2026 to 2027

As stated in section 4.1: overview, for the 3 and 4-year-old entitlement for 2026 to 2027, the local authority hourly funding rate for ‘D’ in the pass-through calculation (see section 4.6) refers to the hourly funding rate **without** the termly adjustment. This rate can be found in the early years: funding rates and step-by-step calculations for 2026 to 2027.

A local authority will be meeting the requirement if ‘(A – B) ÷ C’ is equal to or greater than 97.0% of D. Rounding up 96.9% will not meet the requirement.

For 2026 to 2027, we have published a pass-through calculator tool alongside this guidance to support local authorities with their early years budget setting process. This tool has been designed to allow local authorities to calculate their pass-through rate based on planned budget and expenditure information ahead of inputting data into the COLLECT system and to give local authorities greater certainty that they are planning to pass-through the required amount.

4.7 Example of calculation

The calculation steps for all the entitlements are the same, except for 3 and 4-year-olds. This is because, since some local authorities receive additional MNS supplementary funding for 3 and 4-year-olds, the calculation for determining the pass-through rate for 3 and 4-year-olds differs from the other entitlements. The pass-through rate is measured against the 3 and 4-year-old hourly rate only, therefore the MNS supplementary funding DfE provides to local authorities is not considered in the determination of the 97% pass-through. For simplicity, a worked example for 3 and 4-year-olds is shown below:

Calculation	Line	Description	Amount
A	1	Anticipated budget for base rate (including	£15,000,000

		funding to MNS) for 3 and 4-year-olds for universal 15 and additional 15 hours	
A	2	Anticipated budget for MNS lump sums for 3 and 4-year-olds	£700,000
A	3	Anticipated budget for supplements for 3 and 4-year-olds: deprivation (including funding to MNS)	£350,000
A	4	Anticipated budget for supplements for 3 and 4-year-olds: quality (including funding to MNS)	£150,000
A	5	Anticipated budget for supplements for 3 and 4-year-olds: flexibility (including funding to MNS)	£100,000
A	6	Anticipated budget for supplements for 3 and 4-year-olds: rurality (including funding to MNS)	£125,000
A	7	Anticipated budget for supplements for 3 and 4-year-olds: English as an additional language (EAL) (including funding to MNS)	£75,000
A	8	Anticipated budget for 3 and 4-year-old SENIF (top up grant element)	£400,000
A	9	Anticipated budget for 3 and 4-year-old contingency	£1,000,000
		Subtotal	£17,900,000
B	10	DfE initial quantum allocation to local authority of MNS supplementary funding	£600,000
C	11	Planned hours for universal 15 and additional 15 hours for 3 and 4-year-olds as reported in s251 budget early years proforma, under the ‘base rate hours’	2,950,000 hours
	12	Equivalent average rate to providers for entitlement hours for 3 and 4-year-olds = (A – B) ÷ C =	£5.86 per hour

		(lines 1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 – 10) ÷ line 11	
D	13	Local authority's hourly rate for 3 and 4-year-olds (as published alongside this document, or in DSG tables in future)	£6.01 per hour
		Test of meeting requirement is ((A (sum of lines 1 to 9) – B (line 10)) ÷ C (line 11)) ÷ D (line 13) × 100	**97.6%**

In this example, since the local authority is passing on 97.6% of the EYNFF hourly rate they received from central government for 3 and 4-year-olds to their providers, the local authority will meet the policy requirement.

4.8 Disapplication from the 97% pass-through requirement

We do not expect that many local authorities will need to request a disapplication of the regulation which sets out the 97% pass-through requirement. However, in exceptional circumstances, DfE will consider individual requests to disapply or vary this requirement in relation to any of the early years entitlements.

In order to consider requests for a disapplication from the pass-through rate, DfE expects local authorities to present evidence that one or more of the following conditions are met:

1. Disapplication is essential to avoid a significant overall reduction in the level of specialist early years SEND services offered to providers for free, or on a subsidised basis.

Such evidence should include:

- a description and costing of current services
- an assessment of how these might need to be constrained were the local authority to comply with the 97% pass-through requirement, and the impact this might have
- why it is not possible for local authorities to offer such services on a 'buy-back' model

2. Disapplication is essential for the local authority to meet its statutory early years duties, for example delivering the entitlement for families of 2-year-olds receiving additional support.

Such evidence should include:

- a description and costing of meeting the statutory duties in question
- an assessment of how these duties might need to be constrained were the local authority to comply with the 97% pass-through requirement, and the impact this might have
- an explanation of why it is not possible to implement a more efficient operating model

For all disapplications, local authorities will also be expected to present strong evidence that, if the disapplication were to be allowed, delivery of the childcare entitlements would not be jeopardised. Such evidence will need to include:

- the pass-through percentage the local authority has applied for and the calculation that shows its derivation
- the impact of the proposed lower pass-through threshold (if disapplication were to be allowed) on the average funding rate paid to providers for 2026 to 2027
- evidence that providers will be willing to deliver enough places to meet demand for the early years entitlement from which the pass-through rate would be disapplied in 2026 to 2027 at the proposed new funding rate

For all disapplications, local authorities are also expected to provide evidence of any potential impact of the proposal on protected characteristics, for the purposes of the public sector equality duty (section 149 of the Equality Act 2010).

We may validate local authorities' evidence against other data and intelligence and may request further information from local authorities where appropriate.

Requests for disapplications for the pass-through rate for 2026 to 2027 should be submitted to DfE as soon as possible, and by 30 January 2026 at the latest. This will help to ensure local authorities receive a decision ahead of finalising their local business planning. Disapplication requests will be considered on an individual basis, though local authorities should factor into their planning how they will proceed if their disapplication request is not successful.

Local authorities who wish to submit a disapplication request should refer to the guidance for completing the disapplication digital form. Local authorities should consult with their schools forum prior to submitting a disapplication request (though the final decision on whether to make a request does rest with the local authority). A failure to provide sufficient information with your disapplication request, or to comply with any requests for additional information, may lead to delays and, in some cases, the request being rejected.

5. Setting a local formula

For 2026 to 2027, the majority of the local funding rules will be the same as in 2025 to 2026.

Local authorities must determine their funding formulae before the beginning of the financial year. Where a local authority proposes to make changes to the early years funding formula it used during the previous financial year, it must first consult its schools forum, maintained schools, and early years providers. Local authorities must also seek approval from their schools forum to agree any entitlements funding they intend to retain to fund central functions. Local authorities are not permitted to amend their funding formulae after the financial year has started.

Local authorities should ensure their early years providers are sufficiently represented at schools forum meetings to cover votes on specific changes to the formula. Each forum should have at least one representative of the private, voluntary, and independent sector among its non-school members. More information can be found in the schools forums operational and good practice guide.

When setting their local budgets, local authorities must, in accordance with our regulatory requirements, adhere to the following deadlines:

- by no later than **28 February 2026**, deduct any central expenditure with respect to early years funding
- by no later than **28 February 2026**, set their local funding formula and communicate the funding rates for childcare providers. This deadline will become a statutory requirement in 2026 when the School and Early Years Finance (England) Regulations 2026 come into force. The intention is for local authorities to communicate the details of their local funding formulae, such as the value of the universal base rate and any additional supplements for each of the entitlements. This should then enable an individual provider to estimate the hourly funding rate they are likely to receive in full from the local authority for each of the entitlements in advance of local authorities confirming their budgets for the financial year

ahead. This change is intended to give providers more certainty around funding rates to support their business planning and will better align early years and schools funding arrangements locally.

- by no later than **31 March 2026**, calculate and notify initial budgets to childcare providers.

Local authorities are encouraged to fulfil these requirements in a clear and transparent manner, actively communicating information to providers and ensuring all relevant information is easily accessible.

Regulations require local authorities to review and redetermine provider budgets during the year when further information about actual hours of attendance becomes available. Local authorities are expected to obtain at least termly updates on hours of attendance. When updating provider budgets, local authorities must either use the actual total number of hours for the relevant review period, or the predicted total number of hours based on the actual hours of attendance in at least 3 different sample weeks. Local authorities must notify providers within 28 days of redetermining budgets and must inform them from when the re-determined budget takes effect.

Local authorities can redetermine provider budgets without making a disapplication request in limited circumstances only, including accounting for actual hours of attendance. If a local authority wishes to redetermine provider budgets for other reasons, they must submit a disapplication request to DfE using the digital disapplication request proforma.

5.1 Setting a local funding rate for the 2-year-old entitlements

There are 2 separate 2-year-old entitlements.

Supporting children from families receiving additional support is a priority. For this reason, we require local authorities, through regulations, to ensure that the final hourly funding rate (that is the base rate, plus supplements if applicable) they pay to each provider for the entitlement for families of 2-year-olds receiving additional support is at least equal to the final hourly funding rate paid to that provider for the 2-year-old working parent entitlement.

This means local authorities must ensure that no individual provider receives a final hourly funding rate for a child on the entitlement for families of 2-year-olds receiving additional support that is lower than that provider's hourly funding rate for a child taking up the 2-year-old eligible working parent entitlement. It is permissible for local authorities to set a higher final hourly funding rate for the entitlement for families of 2-year-olds receiving additional support.

We recognise that, in a small number of cases, there are some providers for whom, due to the use of supplements, this would not be the case. If, after setting their local formulae, a local authority finds there is an individual provider for whom the hourly funding rate for the entitlement for families of 2-year-olds receiving additional support is lower than the eligible working parent 2-year-old rate, and the local authority determines it is either unaffordable or undesirable to adjust their overall local formulae, they are permitted to address the issue for the affected providers only. They could do this by providing an additional amount in their formula for the entitlement for families of 2-year-olds receiving additional support, which would provide a top up to the hourly rate for children in receipt of that entitlement for the provider in question, so that the final hourly funding rate is at least equal to (or more than), that provider's final hourly rate for 2-year-olds of eligible working parents.

Under limited circumstances, local authorities may make a disapplication request to the Secretary of State for Education to disregard this requirement, for example if there are sufficiency issues in their area for the 2-year-old entitlement for eligible working parents.

5.2 Single funding rate for both entitlements for 3 and 4-year-olds

For 2026 to 2027, as in previous years, DfE funds local authorities on the same basis for both the universal 15 hours entitlement and the additional 15 hours entitlement for working parents. This is because the statutory framework and the quality requirements for the 2 entitlements are the same.

We expect local authorities to fund their providers in the same way for both sets of hours and not to distinguish between the two. This means using the same hourly base rate and same supplements for both entitlements.

5.3 Funding factors

Universal base rate
All local authorities must pay a universal hourly base rate for all their childcare providers in each of their local early years funding formulae for all the early years entitlements. The universal base rate must, in all cases, be multiplied by the number of estimated hours of attendance of children.

For the 2-year-old entitlements, given that the funding rate for the entitlement for families of 2-year-olds receiving additional support needs to be equivalent to or higher than the 2-year-old eligible working parent entitlement, if local authorities choose to have separate funding formulae for each of those entitlements, the base rate for the entitlement for families of 2-year-olds receiving additional support formula for all providers must be at least equal to and not be less than the base rate for the 2-year-old eligible working parent formula. Local authorities are permitted to set a higher base rate in their formula for the entitlement for families of 2-year-olds receiving additional support formula if they wish.

Funding supplements
Funding supplements are amounts of funding paid to providers in addition to the universal hourly base rate to reflect local needs or policy objectives. Local authorities may apply a supplement to the base rate for any of the entitlements. When using supplements, local authorities should adhere to the following principles:

- the use of supplements should be transparent and fair and should be open to all providers that meet the eligibility criteria.
- for the 3 and 4-year-old entitlements, local authorities should not distinguish between the universal 15 hours entitlement and the additional 15 hours for eligible working parents; any supplement should apply equally to both entitlements.

For all supplements, local authorities have the freedom to choose the appropriate metric for allocating funding. Local authorities should be transparent about the metric chosen, and we would actively encourage local authorities to communicate with providers which metric(s) they have chosen and the rationale behind that decision.

Permissible supplements
The allowable supplements are:

Deprivation
Use of the deprivation supplement is mandatory for 3 and 4-year-olds and discretionary for 2-year-olds and children aged 9 months up to 2 years.

To recognise deprivation in local authorities' areas and support children in those areas in taking up the early years entitlements.

For the 3 and 4-year-old entitlements, it is mandatory for local authorities to include a deprivation supplement in their local funding formula.

For the 2-year-old entitlements and the entitlement for children aged 9 months up to 2 years old, we expect local authorities to ensure funding for deprivation is reflected in their approach to funding for these entitlements, recognising the additional costs associated with supporting children from families in receipt of additional support. This could be achieved through a deprivation supplement, particularly where local authorities are using a single 2-year-old formula locally. However, this is not a mandatory requirement for the 2-year-old entitlements. This is to avoid the necessity to include a deprivation supplement within the formula for the entitlement for families of 2-year-olds receiving additional support if local authorities choose to have separate formulae for the 2-year-old entitlements and recognising that the newer eligible working parent entitlements are for a different cohort to the 3 and 4-year-old entitlements.

For consistency with the 2-year-old eligible working parent entitlement, a deprivation supplement is not mandatory for the 9 months up to 2-year-old entitlement, given the similarity between the cohorts.

Rurality or sparsity
This is a discretionary supplement for all entitlements.

To enable local authorities to support providers serving rural areas less likely to benefit from economies of scale.

Flexibility
This is a discretionary supplement for all entitlements.

To enable local authorities to support providers in offering flexible provision for parents, to support parents' working patterns and needs and giving them greater choice and convenience. This could be, for example, by offering longer hours or encouraging even greater partnership working between sectors.

Quality
This is a discretionary supplement for all entitlements.

To support workforce qualifications, or system leadership (supporting high quality providers leading other providers in the local area).

Any system leadership supplement should be open and transparent in terms of the process for choosing the 'leaders', the funding arrangements, and the support to be provided.

Local authorities must not impose training requirements on providers registered with a childminder agency. Other providers must not be required to attend training unless they have received specified grades in their most recent inspection report and the training is identified in the inspection report. Further details can be found at section A4b of the early years and childcare statutory guidance.

It will take a number of years before all settings have been inspected under the new approach. In the interim period prior to inspection under the new system, providers registered with Ofsted must not be required to attend training unless they have achieved less than 'good' for overall effectiveness in an Ofsted inspection report and the training has been identified in the Ofsted report.

English as an additional language (EAL)
This is a discretionary supplement for all entitlements.

To recognise differences in attainment in the early years foundation stage between children whose first language is English and those who have EAL.

Supplements cap
In 2026 to 2027, the total planned value of funding supplements must not be more than 12% of the total value of planned formula funding to providers for each of the respective entitlements:

- 9-month-old children up to 2-year-olds of eligible working parents
- 2-year-old children of eligible working parents
- 2-year-old children from families receiving additional support
- 3 and 4-year-olds (universal and additional hours)

As set out in funding supplements subsection above, some local authorities may also need to include additional funding in their formula for the entitlement for families of 2-year-olds in receipt of additional support to top up certain providers to comply with the requirement that each provider's final hourly funding rate for that entitlement is at least equal to their rate for eligible working parents of 2-year-olds. This additional funding will not be included in the calculation of the 12% cap. However, it will be included within the pass-through rate calculation for the entitlement for families of 2-year-olds receiving additional support.

As before, this cap on supplements should not be considered a target for local authorities to meet. Compliance with the 12% 'supplement cap' will be based on s251 budget data and calculated as shown below. Please note: the calculation methodology will be the same for each of the respective entitlements mentioned above. For simplicity, we have used the 3 and 4-year-old entitlements in the example below:

$Z = (X \div Y) \times 100$

where,

X = supplements quantum for universal 15 and additional 15 hours for 3 and 4-year-olds from planned s251 budget.

Y = total base rate quantum for universal 15 and additional 15 hours for 3 and 4-year-olds + supplements quantum from planned s251 budget.

If Z is less than or equal to 12.0% then the requirement has been met (please note rounding down 12.1% will not be considered as meeting the requirement).

Therefore, a local authority planning to spend a total of £12.5 million on the 3 and-4-year-old entitlements could spend, at most, £1.5 million (12% of £12.5 million) on supplements, and at least £11 million through their base rate.

Contingency funding
Local authorities are able to set aside contingency funding as part of their local budget setting process to help manage fluctuations in take up of the entitlements. Contingency is, and will continue to be, an important tool for local authorities in managing their volumes / budgets throughout the year, playing a key role in local flexibility and responsiveness. However, it is also important that as much funding as is possible reaches providers in a way that is timely and allows for informed business planning.

We will continue to monitor local authorities' budgeted contingency funding in line with outturn expenditure data.

6. Special educational needs inclusion fund (SENIF)

This government is committed to ensuring excellence for everyone, so that all children have the support, skills and opportunities they deserve. We are committed to improving inclusivity and expertise in mainstream settings including early years, as well as ensuring special schools cater to those with the most complex needs.

Details of the government's intended approach to SEND reform will be set out in a Schools White Paper which is due to be published in early 2026. Relevant sections of this operational guidance will be amended in light of that.

All local authorities are required to have a SENIF for all children below compulsory school age who have special educational needs (SEN), regardless of the number of hours taken. These funds are intended to support local authorities to work with providers to recognise and support the low-level and emerging needs of individual children with SEN, and to help providers offer places for these children. These funds also support local authorities to undertake their responsibilities to strategically commission SEN services as required under the Children and Families Act 2014.

Eligibility

A local authority's SENIF is for supporting children below compulsory school age with SEN. SENIF funding should be targeted at supporting children with low-level or emerging SEN.

SENIF funding should not be used to support children with SEN in reception year at school. However, it can be used to support children with SEN who are below compulsory school age and have deferred their entry to reception.

Support for children with more complex needs and with an education, health and care plan is available via the high needs block of the DSG.

Further information on the high needs funding system can be found in the high needs funding arrangements: 2026 to 2027. As with other elements of early years funding, SENIFs should apply to children attending settings in the relevant local authority area, regardless of where they live.

Value

The value of the fund should consider the number of children with SEN in the local area, their level of need, and the overall capacity of the local childcare market to support these children. Local authorities should consult with early years providers to set the value of their local SENIF.

Sources of funding

Local authorities should establish their SENIFs using funding from the early years block and/or the high needs block of their DSG allocation. Although local arrangements will vary, local authorities should consider the right balance to strike in drawing from these 2 blocks of funding, taking into account the particular pressures on high needs and early years budgets locally and the 97% pass-through requirement.

Allocation of funding
As part of preparing and reviewing their SEND local offer (a statutory requirement under the Children and Families Act 2014), local authorities must consult with various bodies including early years providers, parents and SEN specialists on the services and provision available to support children and young people with SEN and disabilities, and their families.

Local authorities should publish details on how their SENIF will be used to support their early years SEN cohort. This should include:

- how providers can apply for funding
- who is eligible
- the planned value of the fund at the start of the financial year
- how the funding will be allocated

The local offer should be easy to access and understand for all providers and families of eligible children.

Local authorities should distribute the majority of their SENIF to providers as top-up grants, decided on a case-by-case basis. They can also use part of the fund to support specialist SEN services in their local area. Funding used for these local authority-wide support services will not count towards the 97% pass-through and is included in the 3% centrally retained funding.

Funding should be distributed to providers promptly so that children benefit as early as possible. SENIF funding should be used to support eligible children to access their entitlements and ensure settings are inclusive and responsive to individual needs.

Local authorities should review and understand how SENIFs are used by providers, especially how it helps children access their entitlements. This could include implementing an audit process to ensure funding is meeting local objectives.

Eligible providers
All early years providers who are eligible to receive funding for the entitlements can also receive support from the SENIF. This is to help them support children with SEN attending their settings.

Compliance
Local authorities must record the planned value of their SENIFs in the early years proforma of the s251 budget returns, and we encourage local authorities to record

their planned SENIF expenditure for all 4 entitlements showing how this funding will be allocated.

7. Additional funding for maintained nursery schools (MNS)

Local authorities with MNS will receive supplementary funding for the 2026 to 2027 financial year for universal 3 and 4-year-old entitlement hours only.

In 2026 to 2027, the minimum hourly rate provided by the DfE is £5.47 and the cap has been set at £10 per hour. Transitional arrangements have now come to an end.

As mentioned in the universal base rate section, all providers must be paid the same hourly base rate; this also applies to MNS. However, local authorities may continue to use ‘lump sums’ to distribute additional funding to MNS for 3 and 4-year-olds which may be different for individual MNSs.

The early years national funding formulae: technical note sets out how the MNS supplementary funding rate for each local authority will be calculated, including how the minimum funding floor and cap have been applied.

8. Disability access fund (DAF)

The Equality Act 2010 requires local authorities to make adjustments for disabled children where it is reasonable to do so. Local authorities must comply with the provisions of the Act in finding suitable provision for eligible disabled children.

The DAF was introduced to support disabled children’s access to the entitlements for 3 and 4-year-olds. From 2024 to 2025, DAF eligibility was extended to eligible 2-year-olds and children 9 months old to 2 years, accessing the entitlements.

DAF funds can be used, for example, to support providers in making reasonable adjustments to their settings and/or helping with building capacity, be that for the child in question or for the benefit of all children attending the setting. Settings may want to use DAF funding to pay for staff training to help meet children’s specific needs, resources and adjustments to support the individual child’s needs.

8.1 Eligibility

A child will be eligible for the DAF if:

- the child is in receipt of Disability Living Allowance (DLA)

and the child receives one of the following:

- the universal 15 hours entitlement for 3 and 4-year-olds

or

- the 15 hours entitlement for families of 2-year-olds receiving additional support

or

- the 15 hours entitlement for children aged 2 years of eligible working parents

or

- the 15 hours entitlement for children aged 9 months to 2 years of eligible working parents

The same criteria applies to all of the entitlements.

Please note that children do not have to take up the full 570 hours of early education to which they are entitled in order to receive the DAF. Children will be eligible where they take up any period of free entitlement and receive DLA.

Four-year-olds in primary school reception classes are not eligible for DAF funding. DAF funding is not for supporting children with disabilities who are not eligible for the entitlements and should not be used to support children with disabilities in reception year at school. However, it can be used to support children with disabilities who are eligible for the entitlements, are below compulsory school age, and have deferred their entry to reception.

8.2 Identifying eligible children

Early years providers are responsible for identifying eligible children and are encouraged to use the DfE's parent declaration template, which is included in the model agreement.

8.3 Eligibility checking

Local authorities are responsible for checking that the DAF eligibility criteria are met. They should be satisfied that the child in question is receiving DLA and may wish to see evidence of the child's DLA award letter. Local authorities should keep a copy of this evidence on file.

8.4 Distributing DAF to early years providers

All early years providers delivering early years entitlements to children eligible for DAF can receive DAF payments.

Local authorities must pay each eligible provider at the annual rate of at least £975 per child. These individual DAF payments should be passed on in full and should not be offset against any other funding which the local authority may ordinarily be providing for children eligible for the DAF.

If a child is splitting their free entitlement across 2 or more providers, the local authority should ask parents to nominate the main setting. The DAF payment should be made to that nominated setting only.

If a child receiving DAF moves from one setting to another, the new provider is not eligible for another payment until the anniversary of the first payment has passed. DAF funding received by the original setting will not be recouped.

However, in this situation, where local agreement allows, providers are encouraged to transfer any relevant resources or unspent funding to the new setting to support the child's continued access and inclusion.

The DAF is paid as a lump sum and must not be pro-rated according to hours taken up.

The way the department allocates DAF may result in local authorities not spending their full allocation on individual payments. In these cases, local authorities are expected to utilise any underspend in line with the principles and aims of the fund.

The department wants to encourage local authorities to consider how underspends could be used to support providers meet the needs of children with SEND. For example, the money could be used to support training for providers, or as a bridging fund to be used for children awaiting a decision on their DLA application.

8.5 Timing of payments

The DAF is intended to help children with disabilities access their government-funded entitlements.

When a child becomes eligible for an entitlement – from the term after they turn 9 months, 2, 3, or 4 – local authorities should issue the DAF payment to the provider as soon as possible in that term.

For example, if a child turns 9 months, 2, 3 or 4 during the summer term, they will usually take up their entitlement in the autumn term. In these cases, the DAF payment should be made promptly in the autumn term.

9. 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 to 2027, EYPP covers all children who are accessing the entitlements and meeting the eligibility criteria detailed below.

9.1 Eligibility

A child will be eligible for EYPP if they receive one of the following:

- the universal 15 hours entitlement for 3 and 4-year-olds

or

- the 15 hours entitlement for families of 2-year-olds receiving additional support or

- the 15 hours entitlement for children aged 2 years of eligible working parents or
- the 15 hours entitlement for children aged 9 months to 2 years of eligible working parents

and they meet any of the following criteria (the same criteria apply to all of the entitlements):

- their family gets one of the following:
  - Income Support
  - income-based Jobseeker's Allowance
  - income-related Employment and Support Allowance
  - support under part VI of the Immigration and Asylum Act 1999
  - the guaranteed element of State Pension Credit
  - Universal Credit (household income must be less than £7,400 a year after tax, not including any benefits - this is assessed on up to 3 of the parent's most recent universal credit assessment periods) - further guidance on checking eligibility is set out below
- they are currently being looked after by a local authority in England or Wales
- they have left care in England or Wales through:
- an adoption order
- a special guardianship order
- a child arrangements order

If a child qualifies for EYPP under more than one set of criteria, they will only attract the funding once.

EYPP is only payable for the first 15 hours used by children taking up one or more entitlements and is not payable on any additional hours. Where a child is eligible for both EYPP and the 15 funded hours entitlement for families with 2-year-olds receiving additional forms support (FRAS) we expect local authorities to apply the EYPP to the FRAS hours rather than working parent entitlement hours.

9.2 Identifying eligible children

Early years providers are ultimately responsible for identifying eligible children, so that local authorities can provide the appropriate funding. Providers should be encouraged to speak to parents of all children aged 9 months up to 4 years taking up one of the entitlements, to find out who is eligible for EYPP funding, especially to the parents of children who are taking up FRAS or universal entitlements. Providers are encouraged to use DfE's parent declaration template, which is included in the model agreement.

It is the responsibility of the local authority's virtual school head to identify children eligible for EYPP who are currently in local authority care.

9.3 Eligibility checking

Local authorities should check EYPP eligibility when a parent or provider tells them the child may be eligible. An EYPP eligibility check should not be made more than a term in advance of the child taking up their free entitlement in case the family's circumstances change. Once a child becomes eligible for EYPP, that child will remain eligible while they are taking up the early years entitlements.

The department's eligibility checking system (ECS) provides a mechanism for local authorities to verify whether children meet the eligibility criteria.

Local authorities can only share the outcome of eligibility checks with:

- the child's parent(s) or legal carer(s), and
- the provider, or providers, of the child's early years education

Once the child enters reception, they will no longer be eligible for the EYPP, but may become eligible for the pupil premium. Eligibility for EYPP does not lead automatically to eligibility for pupil premium when the child starts school.

Local authorities should follow a different process for checking the eligibility of children who:

- have been adopted from local authority care
- have left care through a special guardianship order
- have left care through a child arrangements order

Local authorities cannot check such eligibility through the ECS. Instead, the parents, adoptive parents or guardians of these children should show authorities evidence of the court order that proves that the child was in local authority care in either England or Wales.

9.4 Assessing eligibility for parents in receipt of universal credit

A parent who is entitled to universal credit will be subject to an earned income threshold detailed in regulation 34 of The Schools and Early Years Finance (England) Regulations. Eligibility must be checked through an assessment of the parent's net earned income across up to 3 of the universal credit assessment periods immediately preceding the date of the request for the EYPP. Checking earnings over up to 3 universal credit assessment periods will consider families with fluctuating earnings.

The date of EYPP request is the date on which the parent / guardian submits their information (name, national insurance number, date of birth) and gives permission for their eligibility to be checked. The local authority should ensure that the date of request is recorded, and that eligibility is checked as soon as possible after the date of request.

The date of request provides the reference point from which the parent's most recent 3 universal credit assessment periods must be determined. Therefore, when carrying out a manual check using evidence provided by the parent, the 3 relevant universal credit assessment periods would be the 3 complete assessment periods which immediately preceded the date of request.

Eligibility is assessed as follows:

- if the parent's net earned income in their first assessment period (period 1) does not exceed threshold 1, (£616.67) detailed in regulation 34 of 'The Schools and Early Years Finance (England) Regulations', the child is eligible
- if the parent's net earned income exceeds threshold 1, then the sum of the parent's net earned income in the assessment period immediately preceding period 1 (period 2) and period 1 is compared to threshold 2 (£1,233.34). If that total net earned income does not exceed threshold 2, the child is eligible
- if the parent's net earned income exceeds threshold 2, then the sum of parent's net earned income in the assessment period immediately preceding period 2 (period 3) and period 1 and period 2 is compared to threshold 3 (£1,850). If that

total net earned income does not exceed threshold 3, the child is eligible

Please note that:

- period 2 or 3 cannot be assessed on their own independently of period 1. Likewise, period 3 can only be assessed with periods 1 and period 2
- where the parent has completed fewer than 3 assessment periods, the steps above will apply up to, but not including the step when there is no complete assessment period preceding period 1 or 2

This process is summarised in table 2 below:

Table 2: eligibility assessment checks

Check	Earned income	Eligibility
Check 1	is earned income in period 1 less than threshold 1 (£616.67)	if yes, eligible. If no proceed to check 2 (if there is a period 2)
Check 2	is earned income in period 1 + earned income in period 2 less than threshold 2 (£1,233.34)	if yes, eligible. If no proceed to check 3 (if there is a period 3)
Check 3	is earned income in period 1 + earned income in period 2 + earned income in period 3 less than £1,850)	if yes, eligible. If no, not eligible

9.5 Paying EYPP to early years providers

All early years providers who provide early years entitlements provision to children eligible for EYPP are eligible to receive the EYPP.

Local authorities must fund early years providers in their area 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 (a minimum of £655 per year).This applies even where the child is taking up more hours under the 3 and 4-year-old, 2-year-old and under 2-years-old offer. Where a child is eligible for both EYPP and the FRAS entitlement, we expect local authorities to apply the EYPP to the FRAS hours, accepting that the child might then move on to a working parent entitlement for their remaining hours (up to a total of

30). For children who are eligible for EYPP by virtue of being looked after by a local authority, the local authority must fund the early years provider at a flat rate of at least £1.15 multiplied by 570 hours (at least £655 per year).

A local authority must use the same hourly rate, which must be at least £1.15, for all EYPP payments made in respect of children in its area.

As with the entitlements, EYPP becomes payable from the beginning of the term after an eligible child turns 9 months old, or the beginning of the term following their second or third birthday which is detailed in paragraph A1.7 of the early education and childcare: statutory guidance.

Where looked-after children are taking up the entitlements, it is the responsibility of virtual school heads to manage the process of accessing EYPP funding for those children. However, in those circumstances, the payment of EYPP is made to settings by the local authority.

10. Additional and further information

10.1 Cross-local authority funding

We fund local authorities for the funded places taken up in the local authority in which a setting is based. Therefore, in cases where a child who lives in one local authority attends a setting in another local authority, funding for the child is the responsibility of the local authority in which the setting is based. This applies to all the entitlement funding streams, as well as DAF and EYPP.

10.2 Payment of funding to childminders and childminder agencies

Local authorities should discuss and agree locally with childminder agencies and each childminder registered with each agency, whether funding (early years entitlements, EYPP and DAF) is paid direct to the childminder or is passed on to the childminder through the agency.

Local authorities should also ensure that none of the funding from the DSG, EYPP or DAF, paid to childminders or childcare providers registered with an agency to deliver free places, is retained by the agency.

CMAs are independent of government and are entirely self-funded. They are able to set their own registration and other fees, including fees for the services they provide. Although local authorities should ensure CMAs do not retain funding paid to CMA registered childminders to deliver free early years entitlements places, legislation does not prevent CMAs from basing their fees on a percentage of a childminder's total income.

For any questions relating to any of the topics covered in the early years funding operational guidance, please contact us via email at:

EarlyYears.FUNDING@education.gov.uk.

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1. A 30-hour entitlement refers to an entitlement of 1,140 hours per year taken over a minimum of 38 weeks. ↩
2. A 15-hour entitlement refers to an entitlement of 570 hours per year taken over a minimum of 38 weeks. ↩
3. The funding formula for 3 to 4-year-olds was introduced in April 2017. The funding formula for 2-year-olds and under was introduced in April 2024. The 2-year-old and under funding formula varies slightly from the 3 to 4-year-old formula as it uses both free school meals (FSM) data, as well as a measure based in the income deprivation affecting children index (IDACI) as proxies for deprivation, as opposed to only FSM data. ↩

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