

NORTH YORKSHIRE COUNCIL

CORPORATE DIRECTOR – CHILDREN AND YOUNG PEOPLE’S SERVICE MEETING WITH EXECUTIVE MEMBERS FOR CHILDREN AND YOUNG PEOPLE

19 MAY 2026

INCLUSIVE EARLY YEARS FUND 2026-27

REPORT OF THE CORPORATE DIRECTOR – CHILDREN AND YOUNG PEOPLE’S SERVICE

1.0 PURPOSE OF THE REPORT

- 1.1 This report asks the Corporate Director - Children and Young People’s Service, in conjunction with the Executive Members for Children and Young People, to agree recommendations in respect of the distribution of the Department for Education (DfE) inclusive early years fund for the 2026-27 financial year to early years providers.

2.0 BACKGROUND

2.1 Inclusive Early Years Fund 2026-27

In February 2026, the DfE announced the [inclusive mainstream fund](#), which provides £1.6 billion of funding (over £500 million per year) over a three year period from 2026-27 for schools, colleges and early years settings to deliver an improved inclusion offer. As part of this, the inclusive early years fund will provide £47 million of additional early years funding in 2026-27 to support the early years sector to become more inclusive of children with special educational needs and disabilities (SEND). The grant funding will be distributed via the inclusive early years fund 2026-27 (IEYF 2026-27) which will be paid to local authorities, who are required to the pass funding on to providers in accordance with the terms set out in the inclusive early years fund conditions of grant.

- 2.2 North Yorkshire Council (NYC) is forecast receive an IEYF 2026-27 funding allocation of c£392.3k; the final funding allocation will not be confirmed by the DfE until July 2026. The funding allocation is based the number of part-time equivalents (PTEs) taking up the 3 and 4-year-olds universal 15 hours entitlement as recorded on the January 2026 schools, early years and alternative provision censuses. The DfE have calculated a per PTE funding rate for each local authority based on a core funding factor, a free school meal (FSM) factor and a disability living allowance (DLA) factor. The funding rate for NYC is £55.17 per PTE. The NYC IEYF 2026-27 funding rate per PTE is 144th lowest out of 151 local authorities; the national average funding rate is £61.88 per PTE (national funding rates range from £89.95 to £52.98 per PTE).

- 2.3 The summary conditions of grant for the IEYF 2026-27:

- State that the funding must only fund early years providers that deliver the government’s free early years entitlements.
- Allow local authorities to distribute IEYF 2026-27 grant funding based on the approach recommended by the DfE, or they are permitted to develop a bespoke, formulaic approach to best target SEND need in their area, provided this approach meets the requirements of the conditions of grant.

- State local authorities do not need to consult with their schools' forum on passing on the IEYF 2026-27 funding to early years providers. The DfE encourage local authorities to be clear with providers and engage with them early to share details of how and when they plan to allocate funding, where this is possible and does not create excessive delays in finalising allocations and making payments to providers.
- Require the grant funding to be utilised to support providers in adopting setting-wide inclusive practices and intervening early to support children with SEND, funding must be provided:
 - upfront
 - without requiring panel or application processes
 - without being tied to individual children
 - in a clear and transparent manner, so that providers understand how allocations have been determined locally, especially when they differ from DfE's suggested route
- Require local authorities to ensure providers receiving an allocation from the IEYF 2026-27 receive an amount that is substantial enough to effect meaningful change in inclusive practice at setting level. DfE recommend a minimum level of c£1000 per setting. In this respect, local authorities are not required to fund all providers in their area and can apply a minimum funding threshold to achieve meaningful allocations.
- State the final funding allocations will be based on local authorities' January 2026 PTE data with no adjustments to funding allocations from this point.
- Require local authorities to ensure that providers not receiving an IEYF 2026-27 funding allocation are able to access support to adopt setting-wide inclusive practices
- Expect local authorities to:
 - communicate details of the local approach to distribution and indicative allocations to DfE and providers before the end of May 2026
 - confirm allocations before the end of August 2026
- Require local authorities to pay providers before the end of September 2026 with the payment being made as a single lump-sum payment.
- Require local authorities to distribute all funding received via the IEYF 2026-27 to eligible early years providers as additional funding and, regardless of distribution method, the funding must not be used:
 - as a substitute for entitlements funding, early years pupil premium, disability access funding, SEN inclusion funding or high needs funding
 - for contingency purposes
 - for local authority central or administration costs
- Require local authorities to maintain and keep clear records of income and expenditure in relation to the IEYF 2026-27, including a record of allocations and evidence of the use of funds by providers. Local authorities are required to ensure that providers are using the fund for its intended purpose and should expect early years providers to retain financial records showing how the funds have been spent.

2.4 The IEYF 2026-27 must be distributed to providers to help them become more inclusive of children with SEND. While the specific use of funding will vary between providers, the DfE expect the funding is used to support activities such as:

- strategic planning
- workforce development
- adaptations or resources to create an inclusive environment

3.0 PROPOSED DISTRIBUTION OF THE IEYF 2026-27

3.1 The local authority, having regard to the requirements and timescales detailed in the conditions of the IEYF 2026-27, proposes to allocate the grant funding based on an the DfE recommended methodology, as follows:

- the distribution of the total allocation of funding to providers based on a base rate plus an additional needs factor, (for example, using the same criteria as is used in their local early years funding formula deprivation supplement)
- Payment is based on 3 and 4-year-old universal hours PTEs as at January 2026.
- Funding weightings replicate the national inclusive early years fund formula which is weighted 75% base rate and 25% additional needs factors.
- The implementation of a de minimis threshold of £1000, with funding redistributed from allocations falling below the chosen threshold, to ensure all providers receiving the grant receive a meaningful amount. The purpose of the minimum funding threshold is to support value for money by avoiding small allocations that would be insufficient to support the development of mainstream inclusive practice.
- The use of deprivation as a proxy for SEND need because there is a correlation between SEND and deprivation in the early years and it is reliable, available data already used with local early years formulae. Using a proxy rather than reported SEND data helps avoid variation arising from different identification practices and supports the grant's purpose of strengthening inclusive practice across providers, not just where needs have already been identified.
- The allocation of funding based on 3 and 4-year-old universal hours PTEs because, as a universal offer, this represents a full cohort of children and there is an increased likelihood of identifiable SEND needs emerging at this age. However, while DfE recommend the funding is distributed based on 3 and 4-year-old universal entitlement PTE numbers, the funding is intended to help providers adopt setting-wide inclusive practices and should be used to benefit children across the setting.

3.2 The IEYF 2026-27 funding allocation for NYC is forecast to be £392.3k. The proposed distribution methodology is based on:

- A funding weighting of £294.2k (75%) for base rate funding and £98.1k (25%) for deprivation (SEND proxy).
- The January 2026 universal 3 & 4-year-old PTE, as recorded on the Spring 2026 census, for the allocation of the base rate funding quantum
- The use of the deprivation supplement funding allocation for the universal 3 & 4-year-old children, as per the January 2026 headcount data, to weight the distribution of the deprivation element of the IEYF 2026-27 to individual providers
- The application of a de minimis funding threshold of £1,000. An iterative calculation process has been undertaken, to progressively redistribute the funding of the providers with the lowest funding allocations to reach a position where the overall forecast funding amount has been allocated, with a de minimis funding allocation threshold of £1,000 applied.

3.3 Based on the proposed distribution methodology, 176 providers are forecast to receive a funding allocation from the IEYF 2026-27. The average funding allocation is £2,229 per provider (funding allocations range from £1,105 to £7,330 per provider). The application of the DfE recommended de minimis threshold funding allocation of £1,000 results in 461 providers not being eligible to receive an allocation of funding. A summary of the indicative funding allocation is detailed below:

Provider Type	No. Providers Receiving Funding	Total Base Rate Funding Allocation	Total Deprivation Funding Allocation	Total IEYF 2026-27 Funding Allocation
Maintained Nursery Schools	3	£8.6k	£4.0k	£12.6k
Schools & Academies	56	£84.3k	£37.2k	£121.5k
Independent Schools	8	£11.9k	£1.8k	£13.7k
Full Day Care	89	£164.0k	£42.6k	£206.6k
Sessional Care	19	£24.8k	£11.8k	£36.6k
Childminders	1	£0.6k	£0.7k	£1.3k
Total	176	£294.2k	£98.1k	£392.3k

3.4 The DfE require local authorities to ensure that providers are using the fund for its intended purpose with early years providers being expected to retain financial records showing how the funds have been spent. Local authorities are expected to take a proportionate approach to oversight which may include:

- requesting a summary from providers of how they have used the funds
- using existing accountability mechanisms, such as review forms already used for SENIF applications
- sampling a range of provider types and sizes through existing engagement forums to understand the use of funding and any emerging trends

Local authorities are not expected to undertake detailed audits of all providers receiving the grant.

3.5 The DfE will work with local authorities to understand how the inclusive early years fund has been spent and how it has supported improvements to mainstream inclusive practice. The DfE will issue a short questionnaire at the end of the 2026-27 financial year requesting high-level summaries from local authorities, including:

- the approach taken to allocate funding, including average amounts per provider and the proportion of providers funded
- the typical ways in which providers have used the fund
- how the fund has contributed to mainstream inclusion in early years settings
- the mechanisms the local authority has used to ensure compliance.

3.6 The DfE state that local authorities should consider this funding stream as part of their local SEND reform plan.

3.7 The local authority provides a range of support on inclusion and SEND which is available for all early years' providers in North Yorkshire to access. Providers not in

receipt of an IEYF 2026-27 grant funding allocation will be signposted to this universal support. The support includes:

- EY SENCo networks and cluster meetings (from Sept)
- EY SEND drop-in sessions to discuss anonymised cases or whole setting issues
- SEND Hubs support for individuals and groups, which is focused on developing skills and capacity in the settings beyond the individual
- Online on demand skills-based training in SEND, and more lengthy training on areas of need eg Autism
- Best Start Inclusion workers based in family hubs to offer early advice and support to settings as well as families
- Dingley's Promise continues to be able free of charge to all early years' providers if they have registered/signed up before end of June 2026.
- Access to the NYC Inclusive Mainstream Toolkit to support inclusive practice ([Inclusive Mainstream Toolkit | NYES Info](#))
- DfE Help for Early Years Providers website which is available for all providers too which has lots of resources including a SEND assessment Toolkit: [Help for early years providers : Meeting the needs of all children](#)
- Traded offer of SENCO support for settings

3.8 The local authority is scheduled to receive the IEYF 2026-27 grant funding allocation from the DfE in July 2026. The IEYF 2026-27 grant funding will be paid to early years providers in September 2026.

4.0 FINANCIAL IMPLICATIONS

4.1 The required funding for the proposal is provided from the ringfenced IEYF 2026-27 for early years providers. There is no direct impact on the Council's budget from this proposal.

5.0 LEGAL IMPLICATIONS

5.1 No specific legal implications are identified as a result of the recommendations contained within this report.

6.0 EQUALITIES IMPACT ASSESSMENT

6.1 An Equalities Impact Assessment screening form is attached at **Appendix 1**.

7.0 CLIMATE CHANGE IMPACT ASSESSMENT

7.1. No climate change or environmental implications have been identified, through the completion of Climate Change Impact Assessments (Initial Screening Form), with the proposal outlined in this report. Please see **Appendix 2**

8.0 REASONS FOR RECOMMENDATIONS

8.1 The local authority must determine a distribution methodology for the IEYF 2026-27 to early years providers. The proposed distribution methodology reflects the DfE recommended approach for local distribution.

9.0 RECOMMENDATIONS

9.1 The Corporate Director – Children and Young People’s Service, in conjunction with the Executive Members for Children and Young People, are asked to agree the recommendation, as detailed in section 3, for the proposed distribution methodology for the IEYF 2026-27 as follows:

- A funding weighting of £294.2k (75%) for base rate funding and £98.1k (25%) for deprivation (SEND proxy); funding allocations indicative, at this stage.
- The January 2026 universal 3 & 4-year-old PTE, as recorded on the Spring 2026 census, for the allocation of the base rate funding quantum
- The use of the deprivation funding supplement funding allocation for the universal 3 & 4-year-old children, as per the January 2026 headcount data, to weight the distribution of the deprivation element of the IEYF 2026-27 to individual providers
- The application of a de minimis funding threshold of £1,000. An iterative calculation process has been undertaken, to progressively redistribute the funding of the providers with the lowest funding allocations to reach a position where the overall forecast funding amount has been allocated, with a de minimis funding threshold of £1,000 applied.

EL MAYHEW

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