



Consultation with Dorset early years providers – Part 1

Funding Decisions for the 2026-27 financial year

3 and 4-year-old supplements

Central Retention

(Consultation on rates to follow once information published by the DfE)

Launch date: Monday 8 December 2025
Respond by: Friday 19 December 2025 (23:59)

CONTENTS

Page

1. INTRODUCTION

3

About this document

3

How to respond

3

Deadline

3

Making enquiries

3

Publication of results

3

2.THIS CONSULTATION

4

Why are we consulting you?

4

Information published by the DFE

4

Current Dorset funding arrangements

5

3.CONULTATION INFORMATION AND QUESTIONS

6

3 and 4-year-old supplements

6

Deprivation Supplement

7

Low Income Supplement

7

Funding for 2-year-olds

9

Central Retention

10

Early SEND support funding

12

2025-26 Indicative funding rates

14

Next Steps

15

1. INTRODUCTION

About this document

This document is for all Dorset early years providers, the document:

- explains why this consultation is taking place
- provides detail on the consultation questions
- seeks your views

How to respond

To help us analyse your responses efficiently, please use the online system. If for any reason you are unable to, please contact the Early Education Funding Team for a word document version of the form and return it by email to: earlyeducationfunding@dorsetcouncil.gov.uk.

Deadline

This consultation closes at 23.59pm on Friday 19 December 2025

Making enquiries

If your enquiry is about the content of this consultation, please contact Vanessa Eddey vanessa.eddey@dorsetcouncil.gov.uk 01305 224562.

Consultation Webinar

We will hold a webinar in the first week of January to talk through early education funding proposals for 2026-27 and answer questions. The date will be notified as soon as possible.

Publication of results

An analysis of your responses will be published with the Schools' Forum papers on Friday 9 January 2025. This will enable Schools' Forum members to reflect upon what you have said before they make decisions at their meeting on Friday 16 January 2026.

Funding consultation on rates for 2026-27

A follow up consultation will be published as soon as possible, once rates and the Early Years Dedicated Schools Grant for 2026-27 are available.

2. ABOUT THIS CONSULTATION

Why are we consulting you?

The Early Years National Funding Formula (EYNFF) for 3 and 4-year-olds was introduced in April 2017. Each year the Government publishes guidance setting out the overall framework, funding rates and expectations on local authorities in implementing the EYNFF.

Three government funded entitlements are available:

a. 3 and 4-year-old entitlements

- universal 15 hours entitlement
- additional 15 hours entitlement for eligible working parents

b. 2-year-old entitlements

- 15 hours entitlement for eligible families receiving additional support (FRAS). This entitlement was previously referred to as the '2-year-old disadvantaged entitlement'
- 30 hours entitlement for eligible working parents

c. Under 2s entitlement

- 30 hours entitlement for eligible working parents

Local authorities are required to consult with early years providers on annual changes to their local formula. The results of this funding consultation will be discussed at the Dorset Schools Forum on Friday 16 January 2026.

Information published by the DfE

Information on rates for 2026-27 has not yet been published by the DfE. There will be a follow-up consultation on rates once information is available.

Current Dorset Funding arrangements (2025-26)

	3- & 4-year-old	2-year-old (working and FRAS)	Under 2s
Base rate	£5.45 per hour	£7.43 per hour	£10.05 per hour
Supplement Deprivation - based on the Income Deprivation Affecting Children Index (IDACI) (if applicable) Deprivation Band 1 Deprivation Band 2 Deprivation Band 3	£0.14 per hour £0.26 per hour £0.39 per hour	N/A	N/A
Supplement Low Income – based on EY entitlement income in the previous calendar year		N/A	N/A

between £2,730 - £13,230 £13,231 - £21,000	£0.84 per hour £0.42 per hour		
Pupil Premium (if applicable)	£1.00 per hour	£1.00 per hour	£1.00 per hour
Disability Access Fund (if applicable)	£938 per child	£938 per child	£938 per hour

Early Years Reference Group

The Early Years Reference Group was established in 2025 and meetings have taken place in July and October. The group provides feedback on funding formula impacts, sustainability and the administration of grants. Broad discussions have taken place on elements of the current funding formula and feedback has informed this consultation.

3. CONSULTATION INFORMATION AND QUESTIONS

3 and 4-year-old 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

The current Dorset local formula includes two supplements for 3- and 4-year-olds:

- Deprivation is a mandatory supplement and uses the Income Deprivation Affecting Children Index (IDACI) score for a provider, which is based on the aggregated postcodes of all the children that attended the setting in the previous calendar year. There are three Bands:

Band 1 – IDACI score between 20% to 24.99% - £0.14 per hour

Band 2 – IDACI score between 25% to 29.99% - £0.26 per hour

Band 3 – IDACI score between 30% to 100% - £0.39 per hour

- Low Income (formerly known as Small Setting) is an optional supplement to encourage our smallest settings to take funded 3- and 4-year-old children and is based on the income from funded entitlements in the last calendar year. There are two rates:

Income between £2,730 - £13,230 - £0.84

Income between £13,231 - £21,000 - £0.42

In 2025-26 there were no changes to the deprivation supplement. Consultation feedback indicated that the increase in pupil premium in 2025-26 provided sufficient funding in respect of deprivation. The low

income supplement had a 2p increase on both levels and an inflationary increase to the income bands.

Deprivation Supplement

Four options available are:

	Option 1		Option 2	Option 3	Option 4	
	Existing Rate per hour and IDACI range		Option 1 with Inflationary increase of 1p / 2p per hour	Option 1 with lower Band 1 IDACI score	Combination of Options 2 and 3	
Band 1	£0.14	20% to 24.99%	£0.15	16% to 24.99%	£0.15	16% to 24.99%
Band 2	£0.26	25% to 29.99%	£0.27	25% to 29.99	£0.27	25% to 29.99
Band 3	£0.39	30% +	£0.41	30% +	£0.39	30% +
Number of settings	21		21	49	49	
Cost	No additional money needed from base rate			1p additional deduction from base rate	2p additional deduction from base rate	

The table above summarises the consultation options. An adjustment to the base rate of 1p is required if options cost approximately £30,000.

Options 1 and 2 would not require any adjustment to the base rate. Option 2 is affordable with no rate adjustment as the number of settings qualifying for the deprivation supplement has reduced compared to 2025-26. Option 3 increases the number of settings that qualify for the supplement from 21 to 49 as the range for Band 1 has been reduced from 20% to 16%. Option 4 combines Options 2 and 3 and gives an enhanced rate to a larger number of settings, which would require a 2p deduction from the base rate.

Consultation

Survey Questions

3- and 4-year-old Deprivation Supplement Consultation Question

Please note that the question numbers start at number 4, to match the response form.

4. Please choose your preferred option in respect of the Deprivation Supplement:

(a) Option 1 – No change to existing Rates and Deprivation Bands

(b) Option 2 – Add an inflationary increase to the existing rates but keep the bands the same.

(c) Option 3 – Lower the range of the Band 1 IDACI score to give more early years providers access to the Deprivation Supplement

(d) Option 4 – Add an inflationary increase to the existing rates and lower the Band 1 IDACI score to give more early years providers access to the Deprivation Supplement (a combination of Options 2 and 3)

5. Do you have any comments on the deprivation supplement?

Low Income Supplement

With the introduction of entitlements for working families of children aged 9 months to 2 years old, the income levels of settings have increased during the last calendar year. The number of settings that would qualify for the supplement has changed as follows:

	2025-26		2026-27	
	42p supplement	84p supplement	42p supplement	84p supplement
Number of settings that qualify	39	48	13	9
Total amount of Low Income supplement paid / forecast to be paid	£32,416	£41,392	£4,650	£6,404

With the reduction in the number of settings that would qualify for the low-income supplement in 2026-27 at the current income levels, it may be better to consider putting this funding towards increasing the base rate for all settings. As the number of settings qualifying for the supplement has reduced, there is a reduction in the budget required for the low-income supplement, which would mean 2p could be added to the base rate. If the low-income supplement is removed altogether, it would be possible to add a further 1p to the base rate. Alternatively, the low-income ranges could be raised to allow more settings to qualify.

Options for consultation:

	Option 1	Option 2	Option 3	Option 4
	No changes to supplement rates or income thresholds	Stop paying the low income supplement	Update the income thresholds by 25%	Update income thresholds by 50%
Income thresholds				
Lower	£2,730-£13,230		£3,412-£16,537	£4,095-£19,845
Upper	£13,231-£21,000		£16,538-£26,250	£19,846-£31,500
Number of settings in receipt of low income supplement	22	0	36	50
Change to the base rate	Add 2p	Add 3p	Add 1p	No change

Consultation

Survey Questions

3- and 4-year-old Low Income Supplement Consultation Question

6. Please choose your preferred option in respect of the Low-Income Supplement:

- (a) Option 1 – No change to existing rates and income levels
- (b) Option 2 – Stop paying the low-income supplement
- (c) Option 3 – Update the income thresholds by 25%
- (d) Option 4 – Update the income thresholds by 50%

7. Do you have any comments on the low income supplement

Central Retention

Currently Local Authorities have to pass on at least 96% of funding for 3- and 4-year-olds, 2-year-olds and under 2s. This pass-through requirement ensures that most of the government funding reaches providers so that they can deliver the government's entitlement offers. Centrally retained funding can be used for central services or services in-kind, including special educational needs and disability (SEND) services. This pass-through requirement is expected to increase to 97% in 2026-27.

In 2025-26 Dorset retained £1,174,268 (2.61%) of the Early Years Block (EYB) for central services made available to all early years providers. It is a contribution towards the cost of the Best Start in Life Advisers and management, central teams processing financial transactions, financial system updates, accountancy analysis and audit work to be completed with early years providers.

For 2026-27 it is proposed to increase central retention by 3.2% to cover the 2025-26 local government pay award. This would increase central retention by £37,577 to £1,211,845, which is 2.65% of the updated 2025-26 Early Years Block. With a full year of the new entitlements for working parents (under 2s to 2 years old) at 30 hours, the overall value of the Early Years Block will increase. The overall central retention percentage will reduce but this cannot be calculated until the Dedicated Schools Grant is published later in December 2025.

Dorset Council's strategy is to support early years providers by setting central retention at the minimum level required to cover costs. Whilst a maximum of 3% of funding could be retained for support services, the percentage retained is kept below this level to pass on more funding to early years providers.

Consultation

Survey Questions

Central Retention Consultation Questions

8. Do you agree with the increase in central retention to £1,211,845?
9. Do you have any comments on central retention?

Next Steps

Please respond to the consultation and get in touch if you have any questions. Contact details are at the front of the consultation.

We will hold a webinar in early January 2025 as it will be necessary to have a second consultation on rates once the Dedicated Schools Grant is published by the DfE.

We will be submitting a paper to the Dorset Schools Forum, which will be published a week before the meeting. This will have full details of the consultation survey results.

Once the consultation closes on Friday 19th December 2025, we will collate the final results and present them to the Schools Forum Meeting on 16 January 2026 as an update.

Final rates will be published as soon as possible and no later than 28th February 2026.