



Making the most of funding in your early years setting

Funding has always been one of the biggest pressures facing early years settings. For many leaders and managers, it can feel like a constant balancing act – a tightrope between delivering high-quality provision, supporting children and families, paying staff fairly, and keeping the business viable – all while navigating complex funding rules that seem to change every year.

Recent changes to early years funding, particularly the expansion of funded childcare entitlements, have brought both opportunities and challenges. While more funding is now available overall, it has also increased the administrative burden on settings and raised concerns about sustainability, staffing and cashflow, as well as concerns about the true cost of providing early years childcare.

This comprehensive guide looks at how early years funding currently works, what has changed or is changing, and, most importantly, how settings can make sure they are accessing every penny they are entitled to while putting systems in place to maximise income and protect their long-term financial health.

Why funding knowledge matters to all early years staff

Leaders in early years settings increasingly need both educational and financial insight. Understanding cost pressures, occupancy patterns and the impact of funding policies helps leaders advocate for sustainable practice. Engaging with local networks, professional associations and consultations ensures that the voices of practitioners and children are represented in wider discussions about the future of early years funding.

However, funding concerns impact all staff, too. Funding decisions affect ratios, room organisation, staffing patterns and resources, not just budgets. When practitioners understand why new starters may join mid-term, why sessions are structured in certain ways, or why documentation is so important, they are better equipped to support children and families. Sharing simple funding updates with staff can strengthen teamwork and help everyone feel part of the bigger picture.



Understanding the current early years funding landscape

Early years funding in England comes from several different streams, each with its own eligibility rules and claim processes. Making the most of funding starts with understanding exactly what is available and how it applies to your setting.

Universal entitlement for 3- and 4-year-olds

All children aged three and four are entitled to 15 hours per week of funded early education for 38 weeks of the year, giving a total of 570 funded hours annually.

This entitlement is universal and applies regardless of family income or employment status. Funding is paid to providers via local authorities, with hourly rates varying depending on location.

Extended funded entitlement for working parents

The biggest recent change to early years funding has been the expansion of funded childcare for working parents of younger children. Eligible working families can now access funded childcare for younger children, with the entitlement gradually expanding from 15 hours to 30 hours per week for children from nine months old up to school age as the rollout progresses. This expansion replaces the previous model, where only 3- and 4-year-olds were eligible for 30 hours.

To qualify, parents must meet earnings criteria and apply through the government's childcare service to receive an eligibility code. These codes must be reconfirmed every three months.

For settings, this has significantly increased the number of funded hours being claimed, making it more important than ever to have robust systems in place to track eligibility codes, deadlines and census returns.

Funded places for eligible 2-year-olds

Some 2-year-olds are eligible for 15 hours per week of funded early education, usually based on family circumstances such as income-related benefits or looked-after status.

Eligibility is often checked through the local authority, and families may need encouragement and support to apply. This funding can make a significant difference for both children and settings, particularly when it is used to support early interventions.

Early Years Pupil Premium (EYPP)

The Early Years Pupil Premium provides additional funding for settings supporting disadvantaged children. EYPP is paid on top of the universal 15-hour entitlement for eligible 3- and 4-year-olds and is designed to help close the attainment gap by supporting children's learning and development. Funding rates are reviewed regularly and are paid directly to providers. While EYPP does not apply to the additional hours under the 30-hour offer, it can still provide a valuable boost to budgets when claimed consistently. This is an area where settings often miss out simply because parents are unaware that they need to apply or give consent for eligibility checks.

Disability Access Fund (DAF)

The Disability Access Fund is available for children receiving Disability Living Allowance (DLA) who are accessing funded early education.

DAF is paid as a one-off annual payment per eligible child and is intended to help settings make reasonable adjustments or purchase additional resources to support inclusion.

What has changed – and why it matters

The expansion of funded childcare has been widely welcomed by families, but it has also created new pressures for providers.

Increased demand, increased complexity

With funded hours now available from nine months old, many settings are managing:

- Higher numbers of funded hours overall
- More frequent eligibility checks
- Greater reliance on timely parent applications and reconfirmations

Missing a reconfirmation deadline or eligibility code can result in funding gaps, placing strain on cash flow.





Funding rates and sustainability concerns

While the government has increased overall investment in early years, many providers report that local authority funding rates do not always reflect the true cost of delivery, particularly when staffing, energy and food costs are rising. The government funding is often based on a school-based nursery model that operates during school hours, 38 weeks per year, but in reality, many independent nurseries operate longer hours to accommodate working parents and provide care all year round. Sector organisations continue to raise concerns about whether funding levels are sufficient to deliver high-quality provision without cross-subsidising funded hours through paid extras.

Clearer guidance on charging

Updated Department for Education guidance reinforces that funded hours must be free at the point of delivery. Charges for consumables such as meals or activities must be optional and transparent, not a condition of accessing funded places. For parents, this gives options and choices, but for settings, this means reviewing fee structures carefully and ensuring communication with parents is clear and compliant.



The impact of funding changes on daily practice

Funding changes do not just affect spreadsheets; they shape daily life in early years settings. Shifts in eligibility and start dates can mean multiple new children joining at once, particularly in baby and toddler rooms where individual attention is vital. This increases pressure on staffing, induction routines and children's emotional adjustment. Managers may need to think carefully about how they stagger admissions, support key person transitions, and protect staff well-being during periods of rapid intake when teams may already be stretched.

Managing parent expectations around funded hours

Parents' understanding of funded entitlements can vary. Some families assume that "funded" means completely free, without recognising that meals, additional hours or optional extras may sit outside the funded offer. Clear, consistent communication helps avoid misunderstandings and supports positive relationships. Transparent policies, written explanations and regular conversations can help families understand both their entitlements and the genuine costs involved in delivering high-quality provision.

Claiming everything your setting is entitled to

One of the simplest ways to strengthen financial stability and make the most of funding opportunities is to ensure that no funding is left unclaimed. National data suggests that a significant minority of eligible children are not accessing funded places. For example, Department for Education statistics estimate that take-up of the 15-hour entitlement for eligible disadvantaged 2-year-olds was 75% in 2024 (meaning around one in four eligible children were not registered). In 2025, the estimated percentage registered fell to 65%, although the Department advises caution when interpreting this figure due to changes in entitlement recording following the roll-out of expanded funded hours.

Even where take-up is higher, it is not complete: in 2024, the take-up rate for the universal 15-hour entitlement for 3- and 4-year-olds was estimated at 95%, and take-up of the 30-hour entitlement for eligible 3- and 4-year-olds was estimated at over 4 in 5. Whilst there are clearly some issues with collating data, these gaps matter for providers because when families do not take up entitlements (or do not complete eligibility checks promptly), settings can miss out on funding and associated supplements that could make the difference between operating at a profit or operating at a loss.

There are several actions that settings can take to ensure they are getting all the funding that they could. These include:

Supporting parents to apply

Many families are unaware of what they are entitled to or assume funding is applied automatically.

Settings can help by:

- Sharing clear information at enrolment
- Sending reminders before eligibility reconfirmation deadlines
- Offering support with online applications

A short conversation or reminder can make the difference between receiving funding and missing out.

Reviewing eligibility regularly

Children's circumstances change. Families may become eligible for EYPP or funded places part-way through the year, and regular checks ensure settings can claim funding as soon as eligibility applies.

Keeping accurate records

Accurate data is essential for funding claims. This includes:

- Eligibility codes and reconfirmation dates
- Parent declarations
- Attendance records
- Census returns

Investing time in good systems with proper staff training and allocated time can save significant stress and financial loss later.



Maximising income beyond entitlement funding

While government funding forms the backbone of many settings' income, it is rarely enough on its own, and settings will still need to use prudent financial planning and practices to stay solvent. Funding is fine as long as you receive it when you expect to, and in time to pay your bills and staff wages! So, making the most of your funding also requires you to consider the following:

Managing payments and cash flow

Late payments can quickly destabilise a setting. Clear policies which are communicated to parents, automated invoicing and prompt follow-up can make a substantial difference to cash flow. Consistency is key here, and systems should support staff to follow procedures without confrontation or confusion.

Applying for grants and additional funding

Many local authorities, charities and community organisations offer small grants for educational settings for things like:

- Outdoor learning
- SEND support
- Staff training
- Sustainability or well-being projects

These can be national or local and there are often lesser-known grants in a locality which can be applied for as a result of a local benefactor or trust that is specific to your area. Assigning responsibility to a named staff member to research and apply, or keeping a simple funding calendar can help ensure opportunities are maximised.

Reviewing your business model

In any business, it is important to understand your costs fully. This includes your overhead costs, which you need to pay for regardless of how many children you have, such as rent, heating, and electricity; and variable costs such as staff wages and food costs, which may vary according to the number of children on roll.

Regular financial reviews help leaders understand:

- Which age groups or sessions are most sustainable
- Where costs are increasing
- Whether session structures or staffing models need adjustment

This is not about reducing quality, but about making informed decisions about the true costs that you face which protect both children and staff in the long term.

Using targeted funding effectively

Funding such as EYPP and DAF should be used strategically, with a clear focus on the impact achieved. Examples include:

- Speech and language interventions
- Small-group support
- Resources to support emotional well-being
- Staff training to improve inclusive practice



Using funding effectively is less about buying more 'things' and more about understanding the real needs of your children and using the money to ensure you can match them. Being able to demonstrate how funding supports children's outcomes also strengthens accountability and inspection readiness.

For a more detailed look at how to use Early Years Pupil Premium effectively in practice, see our recent Parenta guide on supporting disadvantaged and SEND children [here](#).

Supporting workforce development through apprenticeship funding

Alongside funding for children, early years settings can also access financial support to develop their workforce. Apprenticeships offer a valuable route into the sector and can help settings build a skilled, sustainable team while managing recruitment costs.

Government apprenticeship funding can cover a significant proportion, and in many cases, all the training costs for eligible apprentices, depending on the size of the setting and its levy status. Incentives and additional support may also be available for younger apprentices or those with additional needs. Using apprenticeships strategically can help settings:

- Develop staff skills in line with setting priorities
- Create clear progression routes for practitioners
- Address recruitment challenges in a structured, supported way
- Strengthen staff retention by investing in professional development

Apprenticeships are not simply a way to lower staff costs; they are a long-term investment in quality. With the right training provider and mentoring in place, apprentices can become confident, qualified practitioners who understand the ethos and routines of the setting from the start. Exploring apprenticeship funding alongside other income streams can form part of a broader sustainability plan, supporting both workforce development and high-quality provision. You can find out more about how Parenta can help with apprenticeships [here](#).



Looking ahead: staying informed and proactive

Early years funding will continue to evolve. Leaders who stay informed, review their systems regularly and seek support when needed are better placed to adapt to future changes and ensure they are making the most of the funding available.

Useful sources include:

- GOV.UK early years funding updates
- Local authority briefings
- Sector organisations and professional networks
- Local charities and benefactors

Sustainable early years provision depends not only on funding levels, but on recognising the true cost of quality care, valuing the workforce, and ensuring systems support both children and the adults who care for them.



Making the most of funding is not about chasing money for its own sake. It is about ensuring that settings have the resources they need to provide safe, nurturing, high-quality environments where children can thrive. By understanding the funding landscape, claiming everything you are entitled to, supporting parents through the process and managing income strategically, settings can build greater financial resilience, even in challenging times.

References and more information

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8. Parenta – Recruit an Apprentice for free
<https://www.parenta.com/recruit-an-apprentice>
9. Childcare Choices (Best Start in Life)
<https://www.childcarechoices.gov.uk/>
10. Find Government Grants
<https://www.find-government-grants.service.gov.uk>

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Working together for our children

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