

Consultation on the Early Years Block Funding Arrangements 2026/27



Executive Summary

Lancashire County Council proposes retaining 3% of the Early Years Block centrally for the 2026/27 financial year. This strategic move aligns with national funding regulations and anticipates the Department for Education's (DfE) increase in the minimum pass-through rate to 97%. The proposal aims to enhance service quality, inclusion, and sustainability across early years settings, while ensuring equitable access to professional development and specialist support. In addition, this will support pressures within the High Needs Block

Background and Rationale

The early years operational guidance 2025/26 states that it is a requirement of all local authorities to pass through 96% of the funding rate received by the DfE to settings. The DfE have recently confirmed that the minimum pass-through rate will increase to 97% in 2026/27.

Currently and historically in Lancashire, the funding rate has been passed through to settings at 100% and no expenditure is held centrally as is allowed within the funding regulations. Benchmarking to other local authorities shows that Lancashire are one of only three local authorities nationally that pass through 100% of the funding rate to settings. Ahead of the 2026/27 financial year and budget setting that will take place in December 2025, modelling was carried out and presented to the early years block working group (EYWG) in June 2025 using the 97% pass through to show the impact if the local authority proposed to hold a percentage of early years funding centrally in line with the regulations.

Any proposal to make changes to the funding formulae used during the previous financial year, that will affect early years providers, requires a formal consultation. Local authorities must also seek approval from their schools' forum to agree any entitlements funding they intend to retain to fund central functions.

Evidence from National Research

- **Nesta (2025)** highlights a shift in early years spending from welfare to childcare and social care, underscoring the need for targeted investment in quality and inclusion .
- **Local Government Association (LGA)** warns that high pass-through rates reduce councils' ability to support providers, risking quality and sustainability
- **DfE EYPP Guidance** recommends using funding for professional development and tailored support to improve outcomes for disadvantaged children
- **EEF** states that the importance of early years professional development is crucial but access to it is difficult for settings :





Figure 6: Barriers or challenges to participating in professional development programmes (weighted). Base: All respondents (476).

[Mapping professional development and support programmes in the... | EEF](#)

With the expansion of entitlements and increasing demand for support, the approach of passing through 100% of the funding is no longer sustainable, prompting the need to consider a central retention to maintain and enhance service delivery.

- **Current Practice:** Lancashire is one of only three local authorities nationally that passes through 100% of early years funding to settings.
- **Regulatory Context:** DfE guidance permits retention for central functions. From 2026/27, the minimum pass-through rate will rise to 97%, allowing up to 3% retention.
- **Financial Modelling:** A 1.5% retention equates to £3 million, enabling significant investment in quality assurance, inclusion, and sufficiency services. A 3% retention equates to £6m, and allows realignment of some Early Years services currently funded from the High Needs Block to the Early Years Block.
- **Recent uplift in funding:** Early years settings in Lancashire received a significant uplift in funding from the Department for Education (DfE), reflecting the government's commitment to strengthening early childhood education.
 - The Lancashire base rate for 3 and 4-year-old entitlements is £5.70 per hour in 2025/26, an increase of £0.29 per hour from 2024/25.
 - The Lancashire base rate for 2-year-old entitlements is £7.46 per hour in 2025/26, an increase of £0.36 per hour from 2024/25.
 - The Lancashire base rate for Under 2-year-old entitlements is £10.21 per hour in 2025/26, an increase of £0.70 per hour from 2024/25.
 - Early Years Pupil Premium –Increased early years pupil premium rate, up to £570 per eligible child per year, for 2025/26, in line with national announcements. This is an increase of £182 from 2024/25.
 - Disability Access Fund - Increased the disability access fund, up to £938 per eligible child per year for 2025/26, in line with national announcements. This is an increase of £28 from 2024/25.



The modelling presented at the EYWG in June showed that retaining 1.5% centrally would equate to circa £3 million, with the forecasted impact on the three individual entitlements listed below.

3- and 4-year-olds	Funding Impact £
Nursery school	£4,549
Nursery class	£1,333
PVI	£2,402
Childminder	£157
Average	£1,438
2-year-olds	
Nursery school	£1,491
Nursery class	£324
PVI	£855
Childminder	£91
Average	£501
Under 2-year-olds	
Nursery school	£595
Nursery class	£304
PVI	£1,729
Childminder	£248
Average	£917

The forecast average impact across all entitlements for the 1.5% previously modelled is also demonstrated below.

Nursery school	£6,635
Nursery class	£1,962
PVI	£4,986
Childminder	£496
Average	£2,856



Modelling for retaining 3% centrally would equate to circa £6 million with the forecasted impact on the three individual entitlements listed below.

3- and 4-year-olds	Funding Impact £
Nursery school	£9,098
Nursery class	£2,666
PVI	£4,804
Childminder	£314
Average	£2,876
2-year-olds	
Nursery school	£2,982
Nursery class	£648
PVI	£1,710
Childminder	£182
Average	£1,002
Under 2-year-olds	
Nursery school	£1,190
Nursery class	£608
PVI	£3,458
Childminder	£496
Average	£1,834

The forecast average impact across all entitlements for 3% retention is also demonstrated below.

Nursery school	£13,270
Nursery class	£3,924
PVI	£9,972
Childminder	£992
Average	£5,712



The forecast modelling of varying percentage rates that could be held centrally is below, which ranges from 0.5% to the full 3%.

	Percentage Held centrally	Total EY spend	3-to-4 reduction per hour in £	2-year reduction per hour in £	Under 2 reduction per hour in £	Total reduction per hour in £	Average reduction in funding per setting
A	0.5%	£975,000	0.02	0.03	0.03	0.08	£952
B	1%	£1,950,000	0.04	0.05	0.07	0.16	£1,904
C	1.5%	£2,925,000	0.06	0.08	0.10	0.24	£2,856
D	2%	£3,900,000	0.08	0.11	0.13	0.32	£,3808
E	2.5%	£4,875,000	0.10	0.13	0.17	0.40	£4,760
F	3%	£5,850,000	0.12	0.16	0.20	0.48	£5,712
G	0%	£0	0	0	0	0	0

Option A

Using 0.5% for central spend would fund the early years' sufficiency team posts and some of early years' quality assurance team. This would assist with Education Improvement budgets but would not provide improvement in the sector.

Option B

Using 1% for central spend would fund the quality assurance and sufficiency early years team posts. This would assist with Education Improvement budgets. It also means that all current training would become free and accessible to all settings.

Option C

1.5% has a wider range of benefits as captured below.

Financial Breakdown

Item	Cost (£m)
Sufficiency team staff	0.3
Quality Assurance current staff	0.9
Sufficiency uplift	0.15
Wellcomm	0.15



Item	Cost (£m)
Early Maths	0.175
LPDS staff uplift	0.42
Quality Assurance staff uplift	0.652
Early phonics	0.253
Total	3.0

The benefits of this would be :

- Recruitment of 6 HLTA and one senior HLTA to focus on ensuring ordinarily available provision is being used in settings and focus on SEND support
- Addresses gaps in specialist support and improves outcomes for vulnerable children.
- Removal of traded service fees; all training becomes free and accessible.
- Support settings in delivering high-quality care, especially in disadvantaged areas
- Expansion of both teams to provide proactive support, funding modelling, and on-site guidance.
- Enables more frequent and meaningful engagement with settings.
- Current traded service costs (up to £423.50 for early years settings) are a barrier for smaller providers.
- Central funding removes this burden, promoting equity and sustainability.
- This also provides sustainability for the early years service
- Funding high quality curriculum resources programmes such as Early Phonics and Early maths alongside funded training will increase number of children meeting their Early Learning Goals
- Funded training from LPDS and Quality Assurance staff on other aspects of the curriculum such as Understanding the World, Writing and Expressive Arts will also support ELG
- Funding Wellcomm programme including training for all settings will improve speech and language which will stop escalating SEND need and improve ELG
- Targeted projects from data – such as support to improve outcomes for boys, EAL learners, FSM
- Early literacy focus to improve mark making in preparation for writing
- PSED focus to improve managing emotions and social interactions
- Great teaching support around metacognition/cognitive load to improve outcomes
- Moderation support for assessment of early years settings



Option D

2% would provide all the advantages above, plus the ability to transfer £1million of early years services currently funded from the high needs block into the early years block, and supports the growing high needs block deficit.

Option E

2.5% would provide all the advantages above plus the ability to fund all the current budget on specialist teaching early years staff, moving this from high needs block into the Early Years Block. This would decrease the pressure on the high needs block by £3million.

Option F

3% has the same benefits as Option E but could also mean a further £1million investment in staffing for the quality assurance team to visit settings and spend more time with them training/modelling/supporting in settings or provide further savings to the high needs block.

Option G

0% means there will be no changes to funding for early years settings in 2026/27, and the training to early years will need to remain traded.

The local authority preference is that the full 3% is retained to support improved outcomes for pupils with SEND, administration of the extended entitlements, improved practice across the sector through fully funded training opportunities, and to support pressures within the High Needs Block

Please let us know your views on the proposal to centrally retain a percentage of the early years funding block in 2026/27, by completing the consultation questionnaire available ([here](#)) by **10 October 2025**, so that responses can be reported and voted on by the Schools Forum on **14 October 2025**.

Please let us know your preference regarding the percentage rate of early years funding proposed to be retained centrally by the local authority in 2026/27?

- 0.0%
- 0.5%
- 1.5%
- 2.0%
- 2.5%
- 3.0%
- Not Sure

