

Item 2

Recommendations from the Extraordinary Early Years Block Working Group

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Brief Summary

On 8th December 2025, the Early Years Block Working Group had an extraordinary meeting to consider a report.

1. Early Years Block Funding Arrangements 2026/27

A summary of the information presented, and the Working Group's recommendations are provided in this report.

Recommendations

The Forum is asked to:

- a) Note the report from the Early Years Block Working Group held on 8 December 2025
- b) Ratify the Working Group's recommendations.

Detail

On 8th December 2025, the Early Years Block Working Group had an extraordinary meeting to consider a report. A summary of the information presented, and the Working Group's recommendations are provided below:

1. Early Years Block Funding Arrangements 2026/27

Detail

At the last Early Years (EY) sector meeting, the sector did not support the 3% proposal for an EY central fund for 2026/27. This position was subsequently taken to the Schools Forum, where members voted in favour for **0% EY central retention**. Following the EYWG meeting on Tuesday 25 November, a verbal update was provided by local authority officers where a revised proposal was discussed. The discussions centred on a revised 1% EY central retention in 2026/27, of which a consensus of agreement was reached with the EYWG. The below formalises this proposal and provides the supporting information as requested by the EYWG.

Current Position

The council must still meet its statutory duties around **quality assurance** and **sufficiency**, with a significant administration burden put on all Local Authorities due to the recent increases in EY entitlement from under two-year old's, to 3-to 4-year-olds.



Following the vote at schools forum, the local authority exercised its right to appeal the decision in line with the schools forum regulations and operational guide, and a **disapplication request** was submitted to the Secretary of State. The Department for Education (DfE) has indicated that they are keen for us to reach a resolution with the sector, and recommended a revised proposal is taken to schools forum for a vote. The revised proposal is for the local authority to retain a reduced 1% of EY funding in 2026/27, which is anticipated to be achieved by not passing through the inflationary increase in EY funding once DSG settlement is received. Further details of the proposal for 2026/27, and proposed retention in future years is provided below.

1. **Proposed Approach 2026 – Retain 1%**

- The combined staffing costs for quality assurance, sufficiency, and to ensure effective administration of the EY entitlement funding totals are c **£1.9 million**. This equates to **1% of centralised funding**. This does not pay for any increase in staffing, with any further increase in staffing proposed to be funded from the core Education Improvement budget.
- This would also enable us to make the service non-traded.
- It would also ensure accurate funding to EY providers are made in a timely manner, as without this approval, this could be a risk to the sector.
- These staffing costs are commonly funded from EY central fund across many other local authorities
- The average percentage increase across the three entitlements in 2025/26 from the previous year was 3.90%. Whilst it is yet to be confirmed by the DfE of the increase in funding in 2026/27, if we were to receive a similar increase in 2026/27, it is anticipated that the 1% could be achieved by using the funding uplift and not passing this through to the sector in full. This is a mechanism we have used in EY in previous years when setting the base rates annually in line with affordability within the DSG.
- The local authority must emphasise that final modelling can only be completed in late December once DSG settlement has been received.

2. **2027 – Retain 2%**

- Throughout the academic year, we will work with the sector to identify how we would utilise a 2% EY central retention.

3. **2028 – Retain 3%**

- Again, we would work with the sector to prepare for LGR (Local Government Review). This would align us further with the neighbouring LGR local authorities Blackpool & Blackburn who both hold an EY central fund.

Modelling

The modelling shows the impact on the EY sector using the 2025/26 data if this was implemented in 2025/26, with a 1% retention being achieved by utilising the inflationary uplift in hourly rate funding. Once applied, the remaining headroom within the EY block would be applied to the base rate allowing an increase in funding to the previous year. A further table has also been provided to show the pass-through rates in both the 2024/25 and 2025/26 financial years.



Modelling Based on 2025/26						
Percentage Held Centrally	Total EY Central Fund	34YO Base Rate Impact	2YO Base Rate Impact	Under 2YO Base Rate Impact	Total Base Rate Impact	Total Average Annual Funding Impact on EY Providers
1%	£1,950,000	£0.06	£0.08	£0.11	£0.25	£1,858

Entitlement	24-25 Base Rate Paid	25-26 Base Rate Paid	Increase
34YO	£5.41	£5.70	£0.29
2YO	£7.10	£7.46	£0.36
Under 2YO	£9.51	£10.21	£0.70

Entitlement	24-25 Base Rate Paid	25-26 Base Rate Paid	Increase when 1% applied
34YO	£5.41	£5.64	£0.23
2YO	£7.10	£7.38	£0.28
Under 2YO	£9.51	£10.10	£0.59

	2024-25	2025-26
34YO Avg Rate	£5.63	£5.88
2YO Avg Rate	£7.57	£7.82
Under 2YO Avg Rate	£10.26	£10.63
34YO DfE Rate Received	£5.47	£5.71
2YO DfE Rate Received	£7.54	£7.83
Under 2YO DfE Rate Received	£10.27	£10.63
34YO Passthrough	102.78%	102.91%
2YO Passthrough	100.50%	99.89%
Under 2YO Passthrough	99.93%	99.98%

Average impact per setting of 1%

Summary	Funding Impact
Nursery School	£4,223
Nursery Class	£1,245
PVI	£3,252
Childminder	£331
Average	£1,858

Agreeing to an EY central fund also aligns with a consistent approach taken within schools block where a 0.50% transfer to the high needs block was agreed by schools forum due to the ongoing pressures facing the funding block. It should be noted that the 0.50% transfer from schools block is estimated at circa £5.1m, which is significantly higher than the estimated EY ask of circa £1.9m for EY central services. The impact on the schools block, and the relevant primary and secondary schools and academies is listed below for information.



School/Academy Type	No of Schools/Academies	Difference in Funding	Average Impact
Primary	481	£2,929,262	£6,090
Secondary	80	£2,172,677	£27,158
All-Through	2	£17,978	£8,989
Average Impact	563	£5,119,917	£9,094

Next steps

- Call an extraordinary schools forum meeting w/c 15th December to vote on these proposals before the budget is drafted in December.
- Cabinet and the Department for Education will then make the final decision as to what funding if any, can be retained by the council. It may be that the department for education do not make their decision until after the funding rates are published.

Appendix A

Summary of Key Functions & Staffing for the Early Years Teams

1. Costs & FTE's Sufficiency

Staffing Details	
Post Title	Number
Early Years Operational Lead – Funding & Sufficiency	1
Childcare Sufficiency Coordinator	1
Early Years Project Officer – Sufficiency & Systems	1
Early Years Project Officer – Funding Entitlements	1
Childcare Development Officer – Sufficiency & Sustainability	2
Childcare Development Officer – Funding	1
Data posts	2
Total FTEs	9
Total Staffing Costs	£450,051
Non-Staffing Costs (systems, communication costs etc)	£82,500
Total Cost Funding & Sufficiency Team	£532,551
*Note in addition to the above staffing there are 5FTE business support officers that sit outside of the Education Improvement Service/budget that support the team. Their costs have not been included in any of the options for how the centralised DSG could be used.	

Costs & FTE's Quality Assurance

Staffing Details	
Post Title	Number
Early Years Quality Assurance Lead	1
Early Years Consultants	10
Early Years Project Officers	3
Early Years Safeguarding Officer	1
Early Years HLTAs	3
Childcare Development Officers	4
Total FTE's	22
Total Staffing Costs	£1,318,313
Non-Staffing Costs (systems, communication costs etc)	£65,000
Total Cost Quality Assurance Team	£1,383,313



*Note in addition to the above staffing there are 5FTE business support officers that sit outside of the Education Improvement Service/budget that support the team. Their costs have not been included in any of the options for how the centralised DSG could be used.

Core Duties of the Funding & Sufficiency Team

1. All aspects of administering the early years funded entitlements for children aged 9 months + (circa 35,000 children in summer 2025 compared to 24500 children prior to the expansion of the working families' entitlements. This includes:
 - Processing claims and assessing eligibility for the 2YO disadvantaged entitlements
 - Assessing eligibility and processing claims for Disability Access Funding
 - Assessing eligibility and processing claims for Early Years Pupil Premium
 - Assessing eligibility and processing applications for Foster Carers Working Families Entitlements
 - Validating eligibility and claims for 9months + working family entitlements
 - Processing claims and paying providers monthly
 - Carrying out cross border checks with neighbouring authorities to ensure children are not being funded for more than their termly/annual entitlements
 - Maintaining and updating provider information e.g. change of bank details, address etc
 - Maintaining and updating user access to the on-line Provider Porta.
 - Processing Ofsted Inspection notifications, and issuing letters to providers and parents to explain impact on funding where setting is judged less than good/expected standards
2. Providing information, advice & guidance to providers, schools and parents on all aspects of the funded entitlements. This includes providing user guides, written processes
3. Food vouchers for early years children – providing data to the Schools Catering Team of eligible children and dealing with all the parental enquiries when the vouchers are issued for each holiday period.
4. Family Information Service (FIS) duties in relation to maintaining and updating provider registration details via the daily Ofsted Weblink feed.
5. FIS duties in relation to maintaining and updating the on-line childcare service directory to ensure parents have access to up to date and accurate information about childcare in their area (e.g. availability, cost, etc), this involves contacting providers on a regular basis to review the information held on the FIS website.
6. Providing a brokerage service to families struggling to find childcare.
7. Providing outreach services with hard to reach families and communities to raise awareness of the funded entitlements.
8. Working in partnership with internal services such as Family Hubs and 3rd sector organisations to deliver targeted interventions to support the take up of 2 year old places amongst vulnerable groups or communities where take up is low.
9. Early Years data statutory data collections e.g. Census, EYFSP results. Census is moving to a termly data collection from Spring 2026 which is going to create a lot more additional work.



10. Termly Maintained Funding Data Collections i.e. headcount, supplementary's and EYPP (i.e. Maintained schools other than MNS do not currently use Synergy therefore this is collected via the school census, and spreadsheets via Lancashire ROSE, and the data analysed in Access and Excel to enable schools to be paid each term.
11. All aspects of early years data analysis and reporting e.g. termly performance dashboards, monthly reports about no's of providers, quality of providers etc.
12. Childcare Sufficiency statutory duties
 - Delivering the statutory process for the annual Childcare Sufficiency Assessment.
 - Regular assessment of supply and demand to identify gaps in provision, including undertaking localised CSA's whenever there are setting closures to determine impact on availability of places.
 - Undertaking parent surveys to assess need.
 - Working with the sector to deliver initiatives to create or expand childcare in areas where gaps in sufficiency of places has been identified
13. Delivering business & sustainability support for the maintained and PVI sector e.g. support around cashflow, breakeven, staffing re-structures etc.
14. Undertaking support and challenge to new and existing early years settings to ensure they are delivering sufficient and sustainable childcare provision across Lancashire.
15. Providing advice guidance and support to schools to schools in relation to the statutory process for developing and sustaining school-based nursery provision, wraparound and holiday provision.
16. Leading on strategies to improve the take up of funded places
17. Developing and delivering the communication strategy around early years funded entitlements
18. Ensure childcare providers fully comply with all aspects of the early education funding and childcare statutory guidance issued by the Department for Education, providing challenge and targeted support where non-compliance is identified.
19. Carrying out compliance audits and checks in relation to EEF delivery models and charging policies (this area of work has increased considerably since the EEF expansion)
20. Developing and implementing council policy in relation to the EEF Entitlements and other associated areas
21. Producing and issuing the Council's Funding Agreement in line with national policy and legislation.
22. System maintenance and development of the Synergy Suite (i.e. FIS, FSMB, Parent Portal, Portal) including termly upgrades.

2. Projects that are currently grant funded

- In addition to the above duties the Funding & Sufficiency Team are responsible for delivering the following Government programmes
 - School based Nursery Programme
 - Early Years Capital Programme
 - Wraparound Capital and Revenue Programme
 - Primary School Free Breakfast Clubs Programme



- Capacity grant funding has been made available to support these programmes, currently confirmed until the 31 March 2025. There is a possibility that additional grant funding will be made available until March 2027 however this has not been confirmed.
- At whatever point the grant funding ends, the work needs to be absorbed within the core team, as the support needed to deliver these functions will not disappear even though programme funding has ended.
- The grant funding is being used to fund the following temporary posts:

Staffing Details	
Post Title	Number
Wraparound and School Age Childcare Project Lead	1
Childcare Development Officer	4 (2 are currently vacant due to postholders gaining permanent

Summary of Key Functions & Staffing for the Early Years Quality Assurance Team

Core Duties of the Quality Assurance Team & the Early Years Team

Universal Support and Quality Improvement

- Deliver annual quality improvement visits and professional development conversations to all settings – 450 PVI's, 400 Out of school providers for wraparound and 350 childminders and other providers.
- Facilitate networking and update meetings for practitioners, leaders, and managers.
- Provide training and professional development opportunities.
- Share and explore materials and publications to enhance skills and knowledge.

Targeted Interventions

- Implement intensive support for settings with greater needs through consultant-based visits and training in setting.
- Deliver special programmes and interventions to close gaps for vulnerable groups.
- Facilitate and embed reflective practice and pedagogy through coaching and mentoring with leaders and managers.

Regular Engagement

- Maintain regular communication to build strong relationships, share learning, and respond to emerging needs.

Monitoring and Supporting Progress

- Explore outcomes for all children, focusing on vulnerable groups and priority areas.
- Use data (GLD scores, attainment gaps, WELLCOMM screening) to assess impact.



- Follow up on settings visit reports and action plans to support continuous improvement.

Reflecting, Learning, and Raising the Bar

- Gather feedback from settings, practitioners, and families.
- Evaluate the effectiveness of universal and targeted support through feedback.
- Refine strategies and interventions based on evidence and feedback.
- Share lessons learned and best practice across the county.
- Update resources and training to address new challenges and opportunities.

Team Roles and Functions

- Early Years Consultants: Support nurseries and reception classes through visits and training; each has a specialist area of knowledge to support settings county-wide.
- Early Years Project Officers: Lead new projects, support settings through pre-registration, develop and facilitate training, and create support documents and materials.
- Safeguarding Officer: Provide guidance and support around safeguarding children and offering early help to families.
- Higher Level Teaching Assistants: Deliver practical training workshops, additional visits, and support practitioners to improve skills and knowledge of child development.
- Childcare Development Officers: Support childminders and out-of-school clubs, including visits, clusters, and training.

Project Development

- Roll out Wellcomm across Lancashire.
- Develop mini projects to support 'Communication and Language' and 'Personal Social and Emotional Development'.
- Deliver targeted support plans for vulnerable learners.
- Provide training and support for deputy managers and room leaders.
- Run 'Managers Academy' for new managers.
- Map CPD journeys for new practitioners.
- Deliver 'Building Blocks' training to support understanding of child development.

Training and Professional Development

- Deliver a wide range of virtual and face-to-face training for leaders, managers, and practitioners.
- Organise guest speakers.
- Provide mandatory training such as Paediatric First Aid and Safeguarding.

Collaboration and Partnership

- Work collaboratively with other teams and services to ensure partners across education are aligned and informed.
- Navigate complex legislation and statutory requirements, ensuring settings remain compliant and confident.



- Be a key part of the CSAP partnership, SEND Improvement Board and Best Start in Life Board and enact their actions. E.g. Roll out of Operation Encompass, commissioning and roll out of Welcomm and the Balance system

Appendix B – The Statutory Duties for the Early Years Team

Summary of the key provisions in the Childcare Act 2006 and statutory guidance relating to early the Early Years

1. Childcare Act Sections 1 to 5

Requires local authorities and their partners to improve the outcomes of all children under 5 and reduce inequalities.

2. Childcare Act - Section 6

Places a duty on local authorities to secure sufficient childcare for working parents - section 6(3)

Statutory Guidance Part B

Outcome - Parents can work, study or train to assist them to obtain work, because childcare places are available, accessible and affordable and are delivered flexibly in a range of high-quality settings.

Local authorities are required by legislation to:

- B.1 Secure sufficient childcare, so far as is reasonably practicable, for working parents, or parents who are studying or training for employment, for children aged 0-14 or up to 18 for disabled children. This includes
 - encourage schools and other childcare providers in their area to offer childcare from 8.00am until 6.00pm and in school holidays
 - aim to identify and remove barriers that prevent existing providers from expanding their provision and new providers entering the local childcare market if needed
 - encourage providers to take a sustainable business approach to planning and signpost providers to resources to support them
- B.2 Report annually to elected council members on how they are meeting their duty to secure sufficient childcare and make this report available and accessible to parents.

3. Childcare Act Section 7

Places a duty on local authorities (in accordance with regulations) to secure free early years provision of the prescribed description for each young child in their area who is under compulsory school age and is of the prescribed description.

Statutory Guidance Part A - Section 1



Outcome: All children who meet the eligibility criteria can take up a free place if their parent wants one.

LA's are required by legislation to:

- Secure 'free' places under the Disadvantaged 2-Year-Old entitlement, the 3&4 Year Olds Universal entitlement and the Working Parents entitlements for children aged 9 months +. This includes:
 - Processing and administering all funding claims.
 - Assessing eligibility checks of families accessing the entitlements from 9 month+, including undertaking grace period audits twice termly.
 - Ensuring childcare providers are compliant and deliver the entitlements in line with the statutory guidance. LA's are required to act where they are not compliant.
 - Promoting equality and inclusion, particularly for disadvantaged families, looked after children, children in need and children with special educational needs and disability, by removing barriers of access to free places and working with parents to give each child support to fulfil their potential.
 - Meeting their duties under the Equality Act 2010 and take account of the Special Educational Needs and Disability (SEND) Code of Practice 0-25 when securing free places.
 - Identifying children who qualify for the Early Years Pupil Premium and the Disability Access Fund, promoting these to parents and paying childcare providers accordingly

Statutory Guidance Part A – Section 2 Flexibility

Outcome: Children can take up their full entitlement to a free place at times that best support their learning and development, and at times which fit with the needs of parents to enable them to work or increase their hours of work if they wish to do so

- Local authorities are required to secure flexible delivery, this includes:
 - Consult with parents and involve them in local assessments of demand for flexibility
 - Act as a broker between overall parental demand in the area and provider capacity
 - Encourage strong partnership working between providers from all sectors
 - Encourage providers to offer flexible packages of free hours and work with parents to enable them to take up places that meet their needs
 - Support parents to identify providers who can offer free places on the days and at the times needed by the parent.

Statutory Guidance Part A – Section 3 Quality

Outcome: All children can take up their free hours in a high-quality setting. Evidence shows that higher quality provision has greater developmental benefits for children, particularly for the most disadvantaged children, leading to better outcomes. This guidance reflects the government's intention that, as far as possible, free places are



delivered by providers who have achieved an overall rating of outstanding or good in their most recent Ofsted inspection report

- To secure quality, local authorities are required by legislation to:
 - Fund places for two-, three- and four-year-old children at any provider judged 'good' or 'outstanding' by Ofsted
 - Fund places for three- and four-year-old children at any provider judged 'satisfactory' or 'requires improvement' by Ofsted
 - Fund places for two-, three- and four-year old children at new providers registered with Ofsted until the provider's first full Ofsted inspection judgement is published
- A3.5-A3.15 also outlines some should and should nots in terms of funding rules in case you need further details.

Statutory Guidance Part A – Section 4 Funding Places:

Outcome: Fair and transparent funding which supports a diverse range of providers to deliver free places on a sustainable basis and encourages existing providers to expand and new providers to enter the childcare market. This diversity enables parents to choose a provider that best meets the needs of their child and family

- The School and Early Years Finance (England) Regulations set out the framework for early years funding. These regulations are updated annually for each financial year.
- LA's are required by legislation to work within the Early Years National Funding Formula when funding providers.

4. Childcare Act Section 12

Places a duty on local authorities to establish and maintain a service providing information, advice and assistance to parents about childcare in the area.

Statutory Guidance Part C Information to Parents

Outcome: Parents and prospective parents can access online, or are provided with, comprehensive and up to date information about childcare, including school-aged childcare, and early education, including free places in their area, usually via the Family Information Service.

Local authorities must:

- Maintain a service that provides information for parents and prospective parents on the provision of childcare in their area as listed in Schedule 1 to the [Childcare Act 2006](#) (Provision of Information to Parents) (England) Regulations 2007) and publish this information electronically on the local authority website and update it at a minimum termly on 1 January, 1 April and 1 September.
- There is a lot of detail in the statutory guidance about what information must be made available for parents in addition to maintaining the directory of childcare services.

5. Childcare Act Section 13

Places a duty on local authorities to secure the provision of information, advice and training to childcare providers and childcare workers.

Part D: Information to childcare providers



Outcome: Availability of information, advice and training is focused on childcare providers, including wraparound childcare identified as needing to improve the quality of their provision and should promote high-quality provision. Local authorities have a power to impose reasonable charges when securing information, advice and training

Local authorities are required by legislation to:

- Secure information, advice and training for registered providers in their area on the following matters:
 - meeting the requirements of the Early Years Foundation Stage
 - meeting the needs of children with special educational needs and disabilities, vulnerable and disadvantaged children
 - effective safeguarding and child protection.
 -

Local authorities have the power to:

- Provide information, advice and training for all early years and childcare providers (including employees and prospective providers). Local authorities may provide information, advice and training if this is requested by the provider. Local authorities are able to offer support to settings rated good or outstanding if there is evidence of need but cannot require this support is taken up

Appendix C **Benchmarking against other local authorities**

<u>Local authority</u>	<u>Staff FTE</u>	<u>Providers</u>	<u>Rate</u>
Lancashire	30	1200	40 settings per person
Halton	4	132	33 settings per person
Sefton	7	203	29 settings per person

The working group Discussed:

- **Funding Context**
 - The Department for Education (DfE) has delayed publishing new funding rates, creating uncertainty.
 - Local authority submitted a disapplication request to retain a percentage of the Early Years Block for administration, but DfE deferred adjudication until rates are released.
 - Current proposal: retain **1%** of the block (~£1.9M) to cover statutory duties and administration costs.
- **Statutory vs Non-Statutory Duties**
 - Officers explained statutory responsibilities include sufficiency planning, quality assurance, safeguarding, and training.
 - Concerns raised by sector representatives about:
 - Lack of clarity on which services are statutory vs discretionary.
 - Perceived inclusion of non-statutory services (e.g., enhanced quality improvement projects).



- Impact on frontline settings if funding is reduced.
- **Sector Feedback**
 - Maintained nursery schools and private providers highlighted:
 - Lancashire's low base rate compared to other areas.
 - Disproportionate impact of 1% retention on smaller budgets.
 - Need for transparency and fairness in allocation.
 - Requests for clearer breakdown of costs and statutory obligations.
- **Alternative Proposals**
 - Initial feedback from the EYWG showed **no support for 1%**.
 - Discussion explored compromise options:
 - **0.50%** suggested as equitable but flagged as insufficient by officers.
 - **0.75%** proposed from EYWG members.
 - EYWG agreed to recommend a **0.75% retention** as a positive steer to Schools Forum.
- **Next Steps**

It was noted that Schools Forum will vote on the original **1% proposal**.

The group's recommendation is a 0.75% compromise.

If no agreement is reached, the matter will be escalated to the Secretary of State for adjudication.

The Schools Forum is asked to ratify the recommendation from the EYWG and vote on the level of early years funding to be retained centrally in 2026/27

