

Report to the Lancashire Schools Forum
Meeting to be held on Friday 20th March 2026

Item 10

Recommendations of the Early Years Block Working Group

Contact for further information:
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Brief Summary

On 5 March 2026, the Early Years Block Working Group considered several reports, including:

- 1. Schools Forum Powers and Responsibilities**
- 2. Dedicated Schools Grant Monitoring 2025/26 and 2026/27 Forecast**
- 3. Schools Requiring additional Support Financial Monitoring 2025/26**
- 4. Early Years Block Funding 2026/27**
- 5. Funding Compliance Audits**
- 6. School Based Nurseries Phase 3**
- 7. Any Other Business**

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

Recommendations

The Forum is asked to:

Note the report from the Early Years Block Working Group held on 5 March 2026
Ratify the Working Group's recommendations.

Detail

On 5 March 2026, the Early Years Working Group considered several reports. A summary of the information presented, and the Working Group's recommendations are provided below:

1. Schools Forum Powers and Responsibilities

This report was noted under Item 9.

The working group:

Noted the report

2. Dedicated Schools Grant Monitoring 2025/26 and 2026/27 Forecast

This report was noted under Item 9.



**The working group:
Noted the update.**

Discussed:

- **Members queried timescales for deficit write-off decisions and noted that further clarity is expected in the summer term.**

3. Schools Requiring additional Support Financial Monitoring 2025/26

This report was noted under Item 9.

**The working group:
Noted the update.**

4. Early Years Block Budget 2026/27

At the Schools Forum on 9 January 2026, decisions and recommendations about the 2026/27 Schools Budget were agreed and recommended to Cabinet. The Cabinet met on 22 January 2026 and recommended that the Schools Budget is approved and referred the report to Full Council on 26 February 2026 as part of the overall Council budget.

In connection with the Early Years Block, the Forum unanimously supported the 2026/27 Early Years Block proposals, with a summary of the Early Years Block funding rates received provided below. Some elements of the Schools Budget required further compliance checking by the DfE and approval was received on 11 February 2026.

Following the Schools Forum meeting on 9 January, it was stated to members that the final decision on the Schools Budget would be made by the Council as part of the wider 2026/27 Council budget.

Further to the 0.75% central retention, an additional 1% (c£2.25m) will be set aside from the Early Years Grant and held within the High Needs Block to support HNB/SEND initiatives in Early Years, which will be ring-fenced for early years settings only.

The 1% transfer to the HNB does not require Schools Forum approval and has been a decision by the Council with permission from the Department for Education in line with the grant conditions, as this money will still benefit children in early years settings, but has been allocated in a different way to target those children more effectively with the highest needs. This is in line with the direction of travel for settings to be more inclusive and to receive proportionate funding to more effectively enable this.

Please see summary of the Early Years Block forecast expenditure for 2026/27:

2026/27 Budgeted Expenditure		£m
a) Allocated to settings	Base rate funding for Under 2s, 2-, 3- and 4-year-olds	214.357
	Maintained nursery school supplementary funding	5.406
	Deprivation for all entitlements	7.132



	SEN Inclusion Fund (SENIF) for all entitlements	1.650
	Contribution to High Needs Block, ring-fenced for Early Years	2.271
	EY Pupil Premium (EYPP)	3.054
	EY Disability Access Fund (DAF)	1.103
b) Central budgets	EY Central budgets	1.703
Total		236.676

Early Years budget statements for 2026/27 were prepared and issued on 27 February 2026, with the revised base rates across the entitlements summarised below.

Entitlement	2025/26 Base Rate Paid	2026/27 Forecast Base Rate	Increase
34YO	£5.70	£5.88	£0.18
34YO MNS	£5.83	£6.05	£0.22
2YO	£7.46	£7.79	£0.33
Under 2YO	£10.21	£10.71	£0.50
EYPP	£570.00	£655.50	£85.50
DAF	£938.00	£975.00	£37.00

Early Years Pass-Through Rates & Termly DfE Funding

The Early Years Operational Guidance 2026/27 confirmed the increased minimum pass-through requirement for local authorities in 2026/27 from 96% to 97%.

Local authorities must determine their funding formulae before the beginning of the financial year. Where a local authority proposes to make changes to the early years funding formula it used during the previous financial year, it must first consult its Schools Forum, maintained schools, and early years providers. Local authorities must also seek approval from their Schools Forum to agree any entitlements funding they intend to retain to fund central functions.

At the 17 December 2025 Schools Forum meeting, an Early Years Central Retention of 0.75% of the Early Years Block was agreed for 2026/27 financial year, with the Council deciding to transfer an additional 1% (c£2.25m) from the Early Years Block to the High Needs Block (HNB) to support HNB/SEND initiatives in Early Years, with a total Early Years Block retention of 1.75% in 2026/27, equivalent to c£3.95m.

From financial year 2026/27, the DfE have introduced a termly funding system to fund all the early years entitlements on termly census headcounts, as already done for the working parents' entitlements for 2-year-olds and under. This change will improve the accuracy of funding allocations and better align DfE funding patterns with those of local authorities. To support local authorities to plan their budgets for 2026/27, the DfE provided LAs with an additional 'termly funding hourly rate adjustment' for 2026/27 only within the 3- to 4-year-old entitlement, which for Lancashire is £0.19.

At the time of the 2026/27 budget setting process, it was unclear as to which rate would be used as the DfE calculation for pass-through, 'with' or 'without' termly funding



adjustment. The DfE provided an update on 13 January 2026, confirming that the pass-through calculation will be based on the 'without' termly funding adjustment rate. This is to ensure the passthrough calculation for the 3-and-4-year-old entitlements takes place on a like-for-like basis as previous years and is not inadvertently impacted by the termly adjustment. This has no impact on the budget setting process, with the LA unable to fully pass-through the DfE increase due to the £2.6m forecast overspend this would've created within the EY Block.

The tables below show the updated pass-through calculations across all entitlements using the 'without' termly funding adjustment.

Note that the pass-through calculation includes the base rate, deprivation supplement, and SEN Inclusion Fund.

Early Years Pass-Through Rates Explainer 2026/27

Total funding received for the three EY entitlements in 2026/27 is £232.519m, split as below.

34YO - £94,151,726	40.49%
2YO - £63,430,995	27.28%
Under 2YO - £74,936,530	32.23%
£232,519,251	100.00%

Part of the 34YO entitlement is for the maintained nursery schools grant, which is not part of the pass-through calculation, so the revised EY total is £227.1m.

This is the starting point for allocating an EY central fund, providing clarity on the level of funding required to fund the relevant services, and for any block transfer to another DSG funding block.

This is then split across the three entitlements as below. Please note 2YO is split separately across the working parent (W) and families receiving additional support (F) as per the DfE requirement.

34YO - £1,609,251	40.49%
2YO (F) - £230,270	5.79%
2YO (W) - £853,899	21.49%
Under 2YO - £1,280,823	32.23%
£3,974,244	100.00%

Applying the DfE passthrough calculation which all local authorities must follow, leads to the following % split and reduces the pass through from previous years.

Please note that circa 79% of the expenditure within the 2-Year-old entitlement relates to the Working Parent (W), and 21% Families Requiring Additional Support (F).



Without Termly Funding Adjustment

	2024-25	2025-26	2026-27
34YO Pass-Through Hourly Funding Rate	£5.63	£5.88	£6.08
2YO (F) Pass-Through Hourly Funding Rate	£7.61	£8.02	£8.23
2YO (W) Pass-Through Hourly Funding Rate	£7.55	£7.81	£8.05
Under 2YO Pass-Through Hourly Funding Rate	£10.26	£10.63	£10.95
34YO DfE Rate Received	£5.47	£5.71	£6.01
2YO DfE Rate Received	£7.54	£7.83	£8.21
Under 2YO DfE Rate Received	£10.27	£10.63	£11.14
34YO Passthrough	102.78%	102.88%	101.11%
2YO (F) Passthrough	100.98%	101.40%	100.25%
2YO (W) Passthrough	100.16%	99.43%	98.05%
Under 2YO Passthrough	99.93%	99.98%	98.33%

Local authorities are best placed to determine how to use their total funding allocation. The DfE rates are a starting point with local authorities setting their own provider hourly rates using their own local formulae based on forecasted take up of the entitlements.

The tables show different levels of pass-through, with the differences relating to different levels of funding for the SEN Inclusion fund, deprivation factors, and the retention of 1.75% of the Early Years Block in 2026/27 further reducing the Council's pass through. The Council must also ensure that we do not fund more in our base rate than we are receiving, with this being an annual process ensuring we are managing within our EY DSG, and funding early settings with what is affordable.

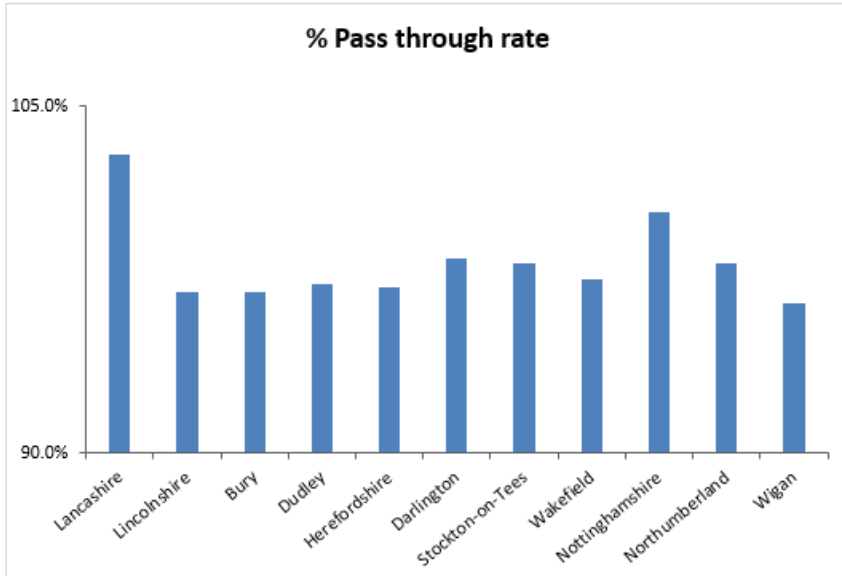
Early Years Benchmarking 2025/26

On 17 December 2025, the DfE released the updated 2025/26 [Early Years benchmarking tool](#), showing that in 2025/26 there are only three LAs that do not hold an EY central fund, with circa 98% of LAs nationally holding a central fund.

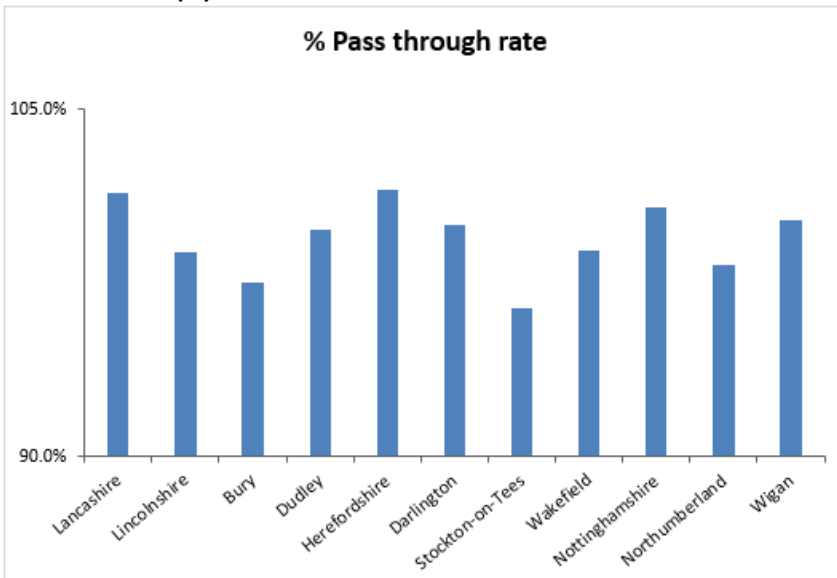
The graphs below show a pass-through rate comparison to our statistical neighbours across the entitlements. In addition, a further table has been provided to show other LAs pass-through calculations who hold a central spend, some of which have a higher pass-through than Lancashire County Council



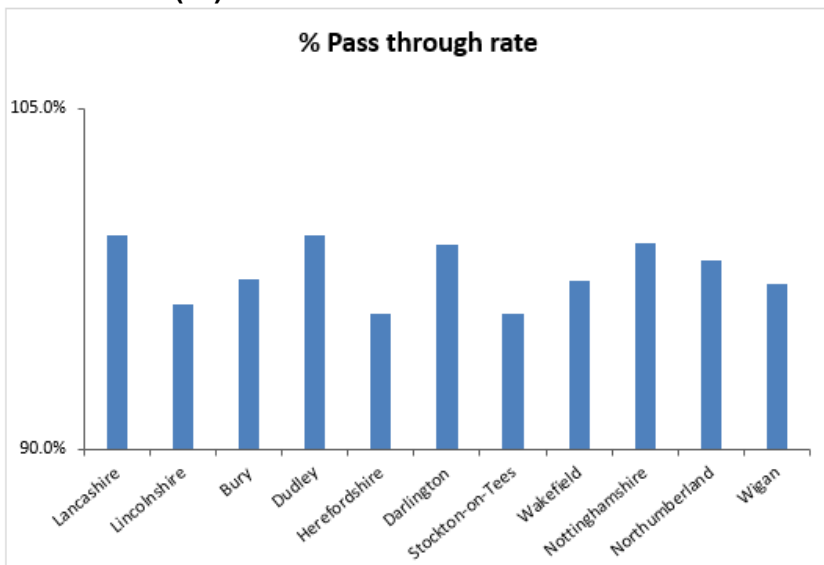
3- to 4-Year-Old



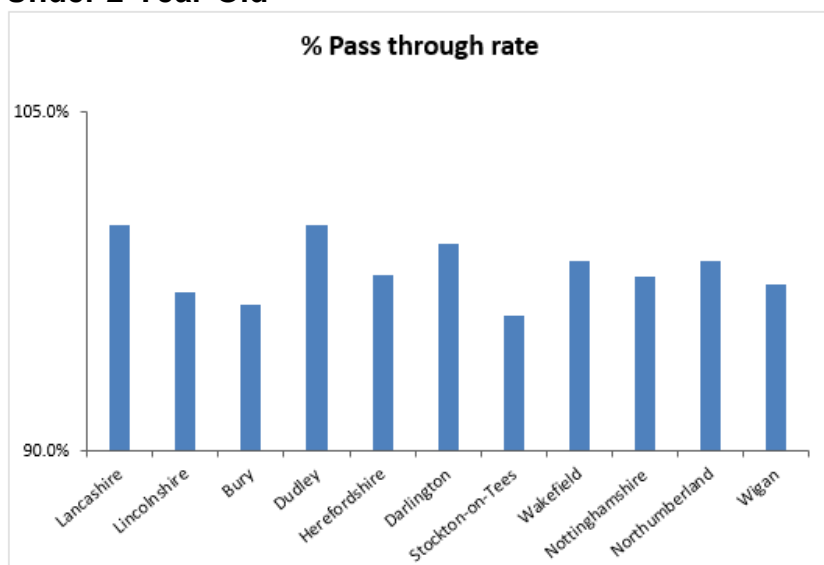
2-Year-Old (F)



2-Year-Old (W)



Under 2-Year-Old



Pass Through with Central Spend Table 2025/26 DfE Benchmarking

LA Number	LA name	3 and 4 year olds contingency funding & central	3 and 4 year olds Pass Through Rate (%)	2 year olds (FRAS) contingency funding & central	2 year olds (FRAS) Pass Through Rate (%)	2 year olds contingency funding & central spend (working parents)	2 year olds Pass Through Rate (%)	9mth - 2yr olds contingency funding & central	9mth - 2yr olds Pass Through Rate (%)
206	Islington	£596,340	101.2%	£145,655	96.1%	£159,655	96.4%	£240,503	96.0%
381	Calderdale	£415,669	101.8%	£86,746	107.3%	£190,728	98.3%	£374,209	97.2%
382	Kirklees	£626,342	101.6%	£81,860	99.6%	£247,124	99.6%	£231,620	98.7%
394	Sunderland	£680,000	100.5%	£0	100.2%	£60,000	98.9%	£60,000	99.4%
800	Bath and North East Somerset	£474,407	100.7%	£47,734	103.2%	£254,682	96.9%	£376,418	96.4%
813	North Lincolnshire	£227,040	102.9%	£23,756	102.2%	£102,532	97.4%	£181,513	96.6%
821	Luton	£231,868	108.5%	£57,967	103.7%	£144,918	103.5%	£0	98.7%
852	Southampton	£700,000	100.4%	£124,000	96.1%	£188,000	96.1%	£154,900	96.1%
865	Wiltshire	£619,024	100.4%	£33,162	101.7%	£210,026	98.0%	£243,188	96.8%
888	Lancashire	£0	102.9%	£0	101.4%	£0	99.4%	£0	100.0%
891	Nottinghamshire	£1,115,590	100.4%	£99,984	100.8%	£381,053	99.1%	£415,059	97.7%

The working group:

Noted the update.

Discussed:

- Late notification of the increased retention and block transfer.
- Impact on settings' ability to inform parents of rate changes within required timescales.
- Transparency and decision-making processes.
- Operational considerations for use of the additional funding, including workforce capacity, SEN support, and monitoring arrangements.
- The block transfer has been an LA decision, and as such the LA will decide on best usage for this ring-fenced monies.



5. Early Years Funding Compliance Audits

Members were presented an overview of a recent funding compliance audit review in the early years sector.

Draft communication to the early years sector was shared with members for information and this will be circulated to settings shortly.

The working group:

Noted the update.

Discussed:

Members discussed issues relating to hours claimed versus attendance patterns and how this should be managed for public funding purposes.

6. School Based Nurseries Phase 3

A verbal update was provided on the national expansion programme. Key information included:

- Previous rounds of applications have been submitted and several approved locally.
- Phase 3 will be led by the local authority with applications submitted directly to the Department for Education.
- Guidance is being reviewed to identify eligibility, gaps in provision and capacity constraints.
- The programme will run over three years with staggered allocations.
- Special schools are excluded, but inclusive mainstream nursery provision may be eligible.

The working group:

Noted the update.

7. Any Other Business

LA requested if it would be suitable to move the Early Years Block meetings to Mornings going forward.

- **Members agreed so where possible the meetings will be moved to 10am, dependant on County Hall availability.**

