

Early Years Budget & Rates 2026/27

Report being considered by: Schools' Forum
Date of Meeting: 19th January 2026
Report Author: Beth Kelly & Lisa Potts
Item for: Decision **By:** All Forum Members

1. Purpose of the Report

1.1 To set out the proposal for the Early Years budget 2026/27, which is based upon the recommendations of the Early Years Funding Group.

2. Recommendation

- 2.1 To agree the hourly rates for Early Years entitlement for 2026/27.
- 2.2 That the Early Years DSG budget for 2026/27 to be set at the level detailed in the budget model and agreed.

Is the Schools' Forum required to make a decision as part of this report or subsequent versions due to be considered later in the meeting cycle?

Yes:

No:

3. Implications and Impact Assessment

Equalities Impact:	Positive	No Impact	Negative	Commentary
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		

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B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Data Impact:		X		

4. Executive Summary

- 4.1 At the Spring Budget 2023, the government announced the 30 hours entitlement will be extended in stages from April 2024 to children aged nine months to three years by 2027/28.
- 4.2 The DFE have asked that we publish our rates to providers by 27th February 2026. Below is a summary of the proposed rates:

	Local authority rates for 2026/27
3 & 4 year old funding rate (per hour)	£6.95
2 year old funding rate (per hour)	£9.35
Under 2 year olds funding rate (per hour)	£12.74
Disability Access Fund (DAF) (per child)	£975.00
Early Years Pupil Premium (per hour)	£1.15

- 4.3 Historically, the Early Years Block has carried a deficit balance. Since the introduction of additional funding for children aged 9 months and over, there has been a phased approach to the funding. This phased approach and lower central spend has reduced the deficit on the block to a forecast £180k deficit for the end of 25/26.
- 4.4 Using the provider rates in 4.2, the 26/27 Budget proposals are summarised below:

	2026/27 £
- Funds Delegated to Early Years Providers	31,367,950
Centrally Managed Funds	888,896
Early Years DSG Block Funding In Year	-32,561,106
In year overspend (under spend)	-304,260
Early Years Block Forecast Deficit from 25/26	180,320
OVERALL NET SURPLUS POSITION	-123,940

Issue Identification

4.5 There is uncertainty in this sector as the new entitlements take time to settle, but also a decline in the birth rate. Once the deficit has been recovered, we would like to set a small contingency budget to allow for these uncertainties.

Consultation and Engagement

4.6 The Early Years Funding Group has been consulted on the 26/27 rates being proposed in 4.2

Monitoring and Evaluation

4.7 These budgets will be monitored as part of the quarterly budget monitoring cycle through the Heads Funding Group and Schools Forum meetings.

5. Introduction and background

5.1 Since the introduction of funding for children from 9 months of age, it has been a challenge to forecast the current costs and expected level of grant as there isn't the historical data.

5.2 Provisional 2025/26 outturn figures are shown below and detail a large recovery on the previous deficit. The main reasons behind recovering the deficit are:

- Ensuring the pass through rate is set at the minimum requirement as per the DFE guidelines
- Adjustment for 24/25 grant was larger than expected, in our favour
- As the grant level has increased, the amount the local authority can spend on central costs has not increased – therefore bringing down the overall spend.

	2025/26 Budget Set £	2025/26 Change in budget £	2025/26 Revised budget £	2025/26 Forecast £	2025/26 Variance £
Funds Delegated to Early Years Providers	26,121,394	139,345	26,260,739	26,260,740	1
Centrally Managed Funds	821,467	0	821,467	765,102	-56,365
Early Years DSG Block Funding In Year	-27,240,311	-139,345	-27,379,656	-27,379,656	0
In year overspend (under spend)	-297,450	0	-297,450	-353,814	-56,364
Early Years funding adjustment from 24/25	0	0	0	-392,030	-392,030
Early Years DSG Block Overspend from previous year	903,719	0	903,719	926,164	22,445
FORECAST CUMULATIVE DEFICIT AT YEAR END	606,269	0	606,269	180,320	-425,949

6. The funding rate Framework for 2026/27

6.1 At the Spring Budget 2023, the government announced the 30 hours entitlement will be extended in stages from April 2024 to children aged nine months to three years by 2027/28. The new entitlements were rolled out in stages –

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- From April 2024, all working parents of 2 year olds can access 15 hours per week
- From September 2024, all working parents of children ages 9 months up to 3 years can access 15 hours per week
- From September 2025, all working parents of children aged 9 months to 3 years old can access 30 hours free childcare per week.

6.2 2026/27 Grant funding rates from central government to West Berkshire Council are shown in the table below:

	Local authority rates for 2026/27
3 & 4 year old funding rate (per hour)	£6.95
2 year old funding rate (per hour)	£9.35
Under 2 year olds funding rate (per hour)	£12.74
Disability Access Fund (DAF) (per child)	£975.00
Early Years Pupil Premium (per hour)	£1.15

7. Funding Rates for providers 2026/27

7.1 The DFE have asked that we publish our rates to providers by 27th February 2026.

7.2 We have used the rates above to determine a local hourly rate for the following provision types:

	Provider funded rates for 2025/26	Provider funded rates for 2026/27	% uplift
3 & 4 year old funding rate (per hour)	£5.78	£6.27	7.5%
3 & 4 year old quality rate (per hour)	£0.60	£0.60	0%
2 year old funding rate (per hour)	£8.68	£9.06	4.3%
Under 2 year olds funding rate (per hour)	£11.79	£12.33	4.6%
Disability Access Fund (DAF) (per child)	£938.00	£975.00	3.9%
Early Years Pupil Premium (per hour)	£1.72	£1.92	11.6%

7.3 The Disability Access Fund levels are determined by the DFE.

7.4 The Early Years Pupil Premium is made up of £1.15 grant plus a 77p deprivation supplement for all funding streams.

7.5 The Local Authority is allowed to fund from the grant some centrally provided services, including staffing and IT costs in relation to overseeing the delivery of the free entitlement, sufficiency of places, eligibility checking, and administration of funding payments to providers. However funding for these services is limited by the requirement to set a pass-through rate for all funding streams which is at least 97% of

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the authority's funding rate. The rates detailed in 7.2 are within the required pass through rate set by the DFE and the Early Years Funding Group have been consulted.

8. Budget Model for 2026/27

8.1 We are now in the fifth year of the funding announced in the Spending Review in October 2021. The below table includes provision for additional hours for the new funding streams as they extend to a full year.

	2026/27 £
Funds Delegated to Early Years Providers	
PVI Providers (90036)	8,026,470
Nursery classes in Mainstream Schools (90037)	2,172,490
Maintained Nursery Schools (90010)	1,210,280
2 Year Old Funding (90018)	762,610
2 Year old working parents	6,331,290
Additional 2 year old working parents hours to adjust for new 30 hour entitlement	2,213,870
Under 2's (90023)	8,465,770
Additional under 2 year old working parents hours to adjust for new 30 hour entitlement	1,769,040
Pupil Premium Grant and deprivation funding (90052)	416,130
Total Delegated Funds	31,367,950
Centrally Managed Funds	
Central Expenditure on Children Under 5 (90017)	455,780
Early Development Intervention Team (EDIT) (90287)	114,080
SEN Inclusion Fund (90238)	108,000
Disability Access Fund (90053)	119,925
SSRs	91,111
Total Centrally Managed Funds	888,896
TOTAL EXPENDITURE	32,256,846
Early Years DSG Block Funding In Year	-32,561,106
In year surplus	-304,260
Early Years DSG Block Funding carried forward	£180,320
OVERALL NET SURPLUS POSITION	-123,940

9. Conclusion

- 9.1 The rates shown at 7.2 are the minimum we can pass through to providers, based on DFE guidelines
- 9.2 The increase in overall grant has allowed the previous deficit to be reduced considerably.
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10. View from the Heads' Funding Group

Proposal agreed

11. Appendices