



EARLY YEARS DSG FUNDING CENTRAL EXPENDITURE 2026 / 2027

Purpose of the Report

1. To seek approval to publish the hourly rates payable to the early years sector for the delivery of early education entitlements and supplementary funding.
2. To seek approval to centrally retain approximately 1.35% of the indicative early years block of the Dedicated Schools Grant to provide functions to support statutory duties for early years as specified by the School and Early Years Finance (England) Regulations 2020.

Information

Early Years National Funding Formula

4. Funding is used to pay the early years sector for children eligible for funded childcare:
 - a. All 3 and 4 year-olds are currently offered the equivalent of 15 hours of funded early education and childcare per week for 38 weeks of the year.
 - b. Children aged 9 months and over of working parents are entitled to the equivalent of 30 hours per week funding.
 - c. Children from households receiving some form of additional government support are entitled to 15 hours per week funding.
5. The local authority hourly funding rates are determined using the Early Years National Funding Formula (EYNFF). This formula considers the different costs of delivering early years provision in different parts of the country.
6. The EYNFF includes a **base rate** for each child, which is the same minimum funding for every child, no matter where they live or whether they have additional needs; this is based on the core costs of childcare provision and was informed by the national review on childcare costs.
7. On top of the base rate, the Department for Education (DfE) provides more funding for **additional needs factors**. This is based on the proportion of children in each area who have additional needs and uses the following measures: deprivation (Index of Multiple Deprivation), English as an additional language (EAL) and special educational needs and disabilities (SEND). This is done to reflect the higher costs of meeting the differing needs of these children.

8. The hourly rate is then modified using the local **Area Cost Adjustment (ACA)** to account for factors like staffing and premises, the costs of which vary across the country. This approach only increases funding; it never reduces the base rate or additional needs funding.
9. Local authorities are expected to determine how to use their total funding allocation to meet the needs of their communities. So, using the DfE rates as a starting point, local authorities set their own provider hourly rates using their own local formula. The formula and the provider hourly rates are different to the rates announced by the DfE and are decided at a local level.
10. Before deciding on their local formula and provider hourly rates, local authorities must consult with their early years providers and the Early Years and Schools Forum to decide how the money will be spent. The decision is to be taken by the Early Years and Schools Forum. They make sure that at least 97% of the money goes to providers overall; the 97% includes the funding streams below, which can be targeted at some providers and not others. This means that individual providers may receive more or less than 97%.
11. The 97% includes:
 - The **universal hourly base rate**, which is paid to all providers.
 - **Supplements** for deprivation, rurality or sparsity, flexibility, quality and English as an additional language (although this extra money cannot be more than 12% of the total funding to providers). These are paid based on providers meeting certain eligibility criteria.
 - **Special Educational Needs Inclusion Fund (SENIF)**, which should be targeted at children with lower level or emerging special educational needs (SEN).
12. From April 2026, the Local Authority will need to retain a **contingency** amount of approximately £1,100,000 to cover the anticipated numbers of pupils who will need funding after census date. From financial year 2026-27 the Department for Education will change the established entitlements to be funded on a termly approach. This means, they will be funding all the early years entitlements using data from termly headcounts rather than the yearly estimates as was previously the case. The Early Years Service and Children and Families Finance worked on figures from the last financial year of children entered on to the census after a termly date to estimate the funding that would be needed to cover the costs of these children. This will be monitored, and any unspent contingency will be passed back to the providers on a termly basis.

Early Years Local Funding Formula

13. This report provides a breakdown of how the early years block of the Dedicated Schools Grant (DSG) has been allocated to providers for 2025/26 and the proposed allocations for 2026/27 in Nottinghamshire.
14. Funding is used to pay a **universal base rate** to the early years sector for children eligible for free early education and childcare as outlined above. The funding is allocated to all

Ofsted registered settings including Schools and Private, Voluntary and Independent (PVI) providers who deliver funded care and education for eligible children.

15. **Supplementary funding** is also payable to children eligible for Free School Meals (FSM) through the **Early Years Pupil Premium (EYPP)**, **Looked After Children (LAC) Pupil Premium** for looked after children, **Disability Access Fund**, the **Deprivation Fund** for children that are known to Social Care (Child in Need (CIN) or Child Protection Plan (CPP)) and the **Inclusion Fund** for children with SEN in PVI settings.
16. **SEN Inclusion Fund** - there is an expectation that local authorities have Special Educational Needs Inclusion Funds (SENIFs) for all children with special educational needs eligible for or taking up the new and existing entitlements, regardless of the number of hours taken.
17. Early Years funding in Nottinghamshire is allocated from the early years DSG block. The vast majority of the early years funding block is used to fund early years places for children aged 9 months to 4 years, and the current and proposed funding formula is as follows:

	2025/26	2026/27
Early Years Base Rate:		
Eligible Under Twos in PVI settings	£10.38	£10.65 per hour
Eligible 2 year-olds School & PVI settings	£7.78	£8.00 per hour
Eligible 3 and 4 year-olds in School & PVI settings	£5.58	£6.01 per hour
Funding supplements:		
Early Years Pupil Premium	£1.00	£1.15 per hour
LAC Early Years Pupil Premium	£1.00	£1.15 per hour
Termly Supplement for Supported 2 year-olds (Families receiving additional support)	NA	£0.07p per hour
Deprivation for all eligible children for monthly CIN/CPP & LAC Meetings	£406 per annum	£406 per annum
Deprivation 2, 3 & 4 year-olds Existing or previously flagged as 2 y/o funding eligible, recorded as Expected under Communication and Language in Better Start/Synergy returns.	£50 per term per child	£50 per term per child
Disability Access Fund (DAF)	£938 per annum	£975 per annum

Centrally Retained Funding

18. Local authorities are currently permitted to retain up to 3% central early years funding for central expenditure to ensure sufficient, sustainable, high quality, accessible early education and childcare, and to implement eligibility assessments.

19. The Council proposes, from 1 April 2026, to retain approximately 1.35% to fund early years services, the exact percentage will be confirmed when budget allocations for 2026/27 are finalised and published in July 2027 by the DfE.

Other Options Considered

20. The Early Years Service and Children and Families Finance worked on a number of factors to finalise the hourly rates to providers resulting in the above rates being agreed. The rates detailed have taken into consideration the number of children currently on the census and the past year's allocations to calculate the hourly rates.
21. The Early Years Service and Children and Families Finance considered not retaining £1,100,000 contingency, however the risk of an overspend was considered too great after calculating the number of children entered on to the census after a termly date in the last financial year.

RECOMMENDATIONS

That the Forum:

- 1) approves the proposal to retain £2,021,685 (up to 1.35%) of early years funding to be used for sufficiency and assessment functions within the Early Childhood Services and Schools and Families Specialist Service.

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APPENDIX ONE

Early Years Funding Proposals for 2026/2027.

NB: It should be noted that this calculation is based on census data from January 2025 and estimated take-up of entitlements in 2026-2027. The final allocations will not be known until July 2027.

Description	Indicative Allocation 2026/2027
Early Years Places Expenditure:	£147,570,342
Universal Entitlement for 3 and 4 year olds	£36,365,426
Eligible 3 and 4 year olds of working parents	£20,366,975
Early Years Supported 2 Year Olds	£4,601,760
Early Years 2 year olds working parents	£33,404,640
Under 2 years working parents	£47,986,149
Deprivation CIN, CPP & LAC	£71,805
Deprivation C&L 34s	£78,000
Deprivation C&L 2s	£46,200
Deprivation 2 yr supplement	£42,495
Early Years Pupil Premium	£1,498,121
Disability Access Fund	£597,675
Teachers Pay and Pensions Grant	£868,473
Early Years Inclusion Fund	£500,000
Contingency	£1,142,623
Early Years Central Expenditure	£2,021,685
Families Information Service	£110,000
Early Years Staffing and on costs (SEND Inclusion Service)	£663,790
Early Years Staffing and on costs (Early Years Services)	£1,247,895

NB

- All proposed early years places funding is indicative and is based on January 25 census data and estimated take-up numbers.
- The proposals above include funding for existing posts and functions that meet the requirements of DSG in terms of early years.
- The Inclusion Fund will be increased, due to the increase in the numbers of children being identified as having additional needs and SEND, a higher number of children with Education, Health and Care Plans and the introduction of a new Early Health Notification process, identifying children with SEND much earlier. As the entitlements have become available for more, younger children, there is a need to adjust for rise in the number of children accessing supplementary funding.

Early Years Central Expenditure

Funding in 2026/27 would be used to fund the following posts and activities across three teams (Early Years Service, Families Information Service and SEND Inclusion Service):

Posts	Function
Technical Specialists	<p>To ensure delivery of the funded early years provision is conducted in accordance with national policy guidance, financial regulation and that all relevant data is collated and recorded.</p> <p>Managing the funding streams, budget and payments associated with the provision of Early Years services, via schools and PVI sectors.</p> <p>To contribute to the medium- and long-term strategies for the statutory provision of places for early years and statutory age children.</p>
Early Years Project Officers	<p>To fulfil NCC's statutory duty to ensure there are sufficient high quality childcare places for children 0-14. This includes mapping of service provision, marketing to increase take up of childcare places; and developing childcare provision through capital projects and targeted work with schools.</p> <p>They provide a lead delivery role in terms of national and local initiatives and projects to develop and sustain childcare provision in the private, voluntary and independent childcare sector and schools and ensure adherence to policy and practice guidance. They also support the Early Years Sector with promotion of childcare as a career of choice and support national and local recruitment activity.</p>
Senior Practitioner in ECS	<p>To supervise frontline staff to meet the required service standards within the Early Years Quality Improvement team and provide assistance to the Early Years Specialist Teachers and Advisors to promote and support the delivery of high-quality early education and childcare provision in order to raise attainment, especially for vulnerable children.</p> <p>To work in a collaborative manner with early years providers to support and challenge them to improve the quality of their provision in line with Ofsted expectations.</p>
Quality and Attainment Team	<p>To provide specialist educational support, advice and training to all early years providers, in line with the associated teachers standards, within the Early Childhood Services Team. To promote and develop high quality teaching, learning and provision supporting raising attainment for all children including all vulnerable children. They hold the role of Area SENCO to support settings with children with SEND. To provide additional support for providers to deliver the extended childcare entitlements with a particular focus on Safeguarding and childcare for babies under the age of two.</p>
Early Years Strategic Leadership	<p>To lead on national duties placed on the Local Authority for early years provision, childcare sufficiency and quality assurance.</p> <p>To lead and manage the early years team and functions of the LA. This post is the strategic lead for early years duties, functions and processes and is the overall lead for all early years budgets and spend.</p>
Teachers and Teaching Assistants in SEND Inclusion Service	<p>To provide early years elements of the SEND Inclusion Service working with children with SEND in early years and at Key Stage 1.</p> <p>Retained Funding contributes to the staffing costs of Teachers and Teaching Assistants and is calculated as the proportion of the overall services case load that is below Key Stage 1. This includes support in the home, PVI settings and to pupils in F1 and F2.</p>
Families Information Service	<p>To discharge the duty to provide information to parents, to ensure parents and prospective parents can access the full range of information they may need for their children right through to their 20th birthday.</p>