Item 4

# Early Years Dedicated Schools Grant (DSG) Funding and Options for 2026/27

Schools Forum 19th January 2026

**For discussion and decision - Summary**

1. Local authorities (LA) are required to consult with Early Years providers and Schools Forum on proposed changes to the local formula which are then agreed with our School Forum.
2. The purpose of the consultation is to seek views and comments on how the Early Years Dedicated Schools Grant (DSG) for 2026/27 should be distributed locally. Consultation is carried out through the Early Years Working Group which is made up of the different early years' providers, - Private, Voluntary, Independent, and Maintained schools. Responses provided by the Group have been used to outline the preferred option for distribution of the EY DSG.
3. This paper presents the indicative early years budget for 2026/27, totalling £88,601,859 as announced by the Department of Education (DfE) on 17th December 2025. It outlines the annual review process and provides recommendations for allocating the 2026/27 Early Years DSG budget, considering the government's childcare reform.

**Recommendations**

Schools Forum is requested to:

a) Note the total indicative budget allocated by the DfE for DSG Early Years Block for 2026/27 financial year.
b) Note the changes to census recording and how this is predicted to impact 3&4YO data and note the DfE support mechanism to mitigate a financial impact on the LA.
c) Agree the hourly pass-through rate and funding to be paid to early years providers in 2026/27 financial year, as set out in Table 2.
d) Note the early years central retention budget of 3% to support providers and administration of the early years entitlements.
e) Note the preferred option suggested distribution method option suggested by the Early Years Working Group and vote if in agreement.
f) Note the changes to the Teachers Pay and Pension Contributions from the DfE and agree the option for the distribution of the Maintained Nursery School Supplement for 2026/27.
g) Note information on the indicative numbers for funded children in 2026/27.

**Key Changes for 2026–2027 Compared to 2025–2026:**

1. Both Maintained and Private, Voluntary, and Independent (PVI) providers will be required to submit data through a termly census.
2. The Early Years Teachers' Pay Grant (EYTPG) will now be included within the core funding allocation.
3. Extra funding has been allocated by the DfE to account for the anticipated increase in children eligible for 3- and 4-year-old entitlement, particularly those who may not be captured in the termly census.
4. Deprivation Funding will be available for all eligible children for 15 hours per week over 38 weeks per year, with eligibility linked to receipt of Early Years Pupil Premium. (EYPP**).**

**Members of Forum allowed to vote: All school and academy members can vote. Only early years representatives from the non-school members can vote. Non-school members, even if represented by school staff, are not eligible to vote.**

## 1. Background

1.1 The Childcare Act 2006 places a duty on local authorities to secure sufficient early years provision free of charge, including childcare for eligible working parents of children from 9-months to 4-years-old:

a) 15-hour entitlement for 2-year-old children of families receiving additional support
b) 15-hour entitlement for all children aged 3- and 4-year-old
c) working families' entitlements:
   i. additional 15-hour entitlement for eligible working families of 3- and 4-year-olds
   ii. the 30-hour entitlement for eligible working families for children aged 9 months to 2 years.

1.2 Local Authorities are required to ensure that eligible children in their area can access the free hours set out above for at least 38 weeks per year, and up to 52 weeks per year. All children who meet the eligibility criteria can take up a free place if their parent/carer wants one.

1.3 These entitlements can be provided by a maintained school, nursery class in a primary school, private, voluntary, or independent sector or a childminder.

## 2. DfE indicative DSG budget for Early Years

2.1 Croydon's total indicative early years block DSG allocation for financial year 2026/27 is £88,601,859 which is an increase of £16,122,854.00 on 2025/26 of Early years education and childcare are funded through the Early Years Block of the DSG and funds all entitlements. Funding is also currently used to support the costs for children with emerging levels of Special Educational Needs.

2.2 Local authorities can retain up to 3% of this funding to support the provision of central early years-related services. This is a reduction of 1% from previous years.

2.3 For 2026/27 the DfE have made the following changes:

2.2.1 An increased minimum pass-through to early years providers – the pass-through rate will increase from 96% to 97%.

2.2.2 A requirement that local authorities will announce their funding rates to childcare providers by 28 February 2026.

2.2.3 Termly census recording for all funding entitlements.

2.4 The are requirements in the early years block of the DSG that local authorities must adhere to in order to be compliant with the DfE Early years entitlements: local authority funding operational guide 2026 to 2027. These are:

a) A minimum amount of 97% funding must be passed through to providers.
b) A universal base rate for all types of providers
c) Supplementary funding for Maintained Nursery Schools
d) A Disability Access Fund (DAF)

e) Special Educational Needs Inclusion Fund (SENIF) from Early Years and or High Needs block
f) Deprivation supplement for universal 3&4YO
g) A top slice of no more than 3%.

2.5 The 97% includes:

a) A universal hourly base rate, which is paid to all providers.
b) 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. Deprivation is the only required supplement for universal 3&4YO.
c) Special educational needs inclusion fund (SENIF), which should be targeted at children with lower level or emerging special educational needs (SEN).
d) Contingency funding, which is extra money set aside for changes in the number of children taking up the entitlements throughout the year.

2.6 On 18th December 2025, the DfE released the hourly rates for April 2026 to March 2027 and the early years indicative budget funding entitlements for 2026/27 financial year. The indicative budget reflects the four entitlements that are to be funded during the course of the year:

a) 9 months to 2-year-olds (Working Family)
b) 2-year-olds (Working Family)
c) 2-year-olds (Families Receiving Additional Support)
d) 3-and 4-year-olds (Universal)
e) 3-and 4year-olds (Working Family)

## 3. **Changes to Census requirement**

3.1 For the financial year 2026/27, the Department for Education (DfE) has introduced significant changes to how census data is recorded. Previously, census data for Private, Voluntary, and Independent (PVI) providers was collected on the third Thursday of January each year. From April 2026, this requirement will change, and census data must now be submitted each term, aligning with the current process for schools.

3.2 The DfE anticipates that this change will negatively impact the accuracy of 3- and 4-year-old data, as local authorities are likely to fund more children than are recorded in the census. To mitigate this, the DfE has provided additional funding within the universal, and working family, 3- and 4-year-old budgets. This has been achieved by introducing two separate rates for 3- and 4-year-olds:

**3.2.1 Pre-adjusted rate**: To be used by local authorities when setting the pass-through rate, covering the cost of additional hours that may not be captured in census data.

**3.2.2 Post-adjusted rate**: Used to calculate the overall budget allocation.

3.3 The DfE has stipulated that **97% of the universal and working family 3- and 4-year-old budgets must be passed through to providers.**

3.4 The additional census requirements, combined with the increase in the number of children accessing funding in 2026/27, are expected to place additional pressure on the existing staff team.

## 4. Suggested funding distribution for 2026/27

4.1 In 2025/26 Schools Forum were presented with a distribution suggestion based on the preferred option used in 2024/25. Schools Forum voted for the following option which is suggested to be applied again for 2026/27 with the one addition to provide deprivation supplement to all age groups rather than just the required age group of 3- and – 4 -year olds.

a) 97% pass-through to providers
b) 1.2% deprivation
c) 1.3% SENIF fund contribution
d) 0.5% contingency fund

<u>Proposed local hourly funding rate to early years entitlement.</u>

4.2 Although the ESFA provides a national average and base funding rates for each age-group and LA, LA's set their own provider hourly rates using their own local formulae. These formulae and the provider hourly rates are different to the rates announced by DfE and are decided at a local level.

## 5. The rate to be paid to providers in 2026/27 will need to be agreed by Schools Forum.

a) Working Family 9 months to 2-year-old, 30 hours free childcare for eligible children from the term after they are 9 months for a maximum of 38 weeks per year. Funding received once the top slice and supplements have been applied is £13.93 per hour. This is an increase of £0.45 per hour and a percentage increase of 3.3%.

b) Families Receiving Additional Support 2-year-old receive 15 hours, and children of eligible working families receive 30 hours free childcare from the term after their 2nd birthday for a maximum of 38 weeks per year. Funding received once the top slice and supplements have been applied is £10.16 per hour. This is an increase of £0.30 per hour and a percentage increase of 3.0%.

c) Universal (15 hours) and Working 3-and-4year-old (additional 15 hours, equating a total of 30 hours) funding from the term after their 3rd birthday for a maximum of 38 weeks per year. Funding received once the top slice and supplements have been applied is £7.03 per hour. This is an increase of £0.37per hour and a percentage increase of 5.5%.

5.1 Local authorities must passthrough at least 97% of early years funding to providers and the remaining 3% for central services to support providers and the administration of the early years entitlements. It is recommended that the use of the 3% is reviewed to resource the additional requirements set in the childcare reforms and the Giving Every Child the Best Start in Life Strategy.

5.2 The aim is to achieve a balanced position for the funding available for distribution to the early years sector, support for disadvantaged children, children with additional needs, and funding required for central council functions.

5.3 Croydon indicative budget is a total of £88,601,859 including the 3% top slice, MNS, EYPP and DAF as these funds are passed to providers in their entirety and not eligible to be included in the top slice. Table 1 below sets out the funding type / amount allocated prior to the top slice being applied for the different age groups. Table 1A sets out the base rate for each age group.

5.4 The indicative budget for each age group can be seen in Table1 and the base rate can be seen in Table 1A.

Table 1A

| DSG | Funding type | Indicative budget |
|---|---|---|
| | 3&4YO (Post rate Adjustment) | £25,125,076 |
| | | |
| | WF 3&4YO (Post rate Adjustment) | £10,445,799 |
| | | |
| | RAS 2YO | £5,228,168 |
| | | |
| | WF 2YO | £19,060,762 |
| | | |
| | U2YO | £27,009,120 |
| | | |
| | MNS | £914,730 |
| | | |
| | EYPP | £490,604 |
| | | |
| | DAF | £327,600 |
| | | |
| | Total | £88,601,859 |

Table 1B

| | Funding type | Base rate |
|---|---|---|
| Rates | 3YO | (Pre-rate adjustment) £7.47 |
| | | |
| | 2YO | £10.80 |
| | | |
| | U2YO | £14.80 |

5.5 Early Years Pupil Premium (EYPP), Disability Access Fund (DAF) and SENIF are accessible to all children who meet the eligibility criteria.

## 6. Detail

6.1 In line with last years agreed distribution it is suggest that the following method is applied again in 2026/27.

97% pass through to providers. 1.2% deprivation and RAS uplift; 1.3% SENIF and 0.5% contingency.

Table 2A provides detail of the rates and the increase from 2025/26. Table 2B provides details of the supplement rates

*(Please note these are pre-rate adjustment as these funds are to pay for any additional 3&4YO not correctly recorded at census as outlined above).

a) Indicative top slice: £2,575,539

b) Indicative deprivation budget: £610,053
c) Indicative RAS2YO uplift budget; £389,256
d) Indicative SENIF budget: £1,082,585
e) Indicative contingency budget: £416,379

Table 2A

| Funding type | 2024/25 | 2025/26 | 2026/27 | Difference |
|---|---|---|---|---|
| 3YO | £6.35 | £6.66 | £7.03 | +£0.37 |
| | | | | |
| 2YO | £9.51 | £9.86 | £10.16 | +£0.30 |
| | | | | |
| 9mth | £12.89 | £13.48 | £13.93 | +£0.45 |

Table 2B

| Funding Type | Amount |
|---|---|
| Deprivation universal 3&4 YO, 2YO & U2 (15 hours per week only) | £1.30 Per hour |
| | |
| RAS uplift | £0.77 Per hour |
| | |
| EYPP | £1.15 Per hour |
| | |
| DAF | £975 Annually |

## 7. <u>Numbers of children accessing funding</u>

7.1 Table 3 shows DfE data on the predicted number of children accessing funding in the current financial year, and the number that is predicted to be accessing funding in 2026 The data shows an increase of 1,546 part time equivalent (PTE) children accessing funded places, this is in addition to 1,656 increase last year. It is important to note that these are predicted figures and are subject to change.

Table 3

| | | Funding type | | 2025/26 numbers (DfE data 11/1025) | | 2026/27 (DfE data 12/2025) | | Difference |
|---|---|---|---|---|---|---|---|---|
| **Numbers** | | 3YO | | 5,900 | | 5,732 | | -168 |
| | | | | | | | | |
| | | WF 3YO | | 2,508 | | 2,383 | | -125 |
| | | | | | | | | |
| | | RAS 2YO | | 753 | | 849 | | +96 |
| | | | | | | | | |
| | | WF 2YO | | 2,222 | | 3,096 | | +874 |
| | | | | | | | | |
| | | U2YO | | 2,341 | | 3,210 | | +869 |
| | | | | | | | | |
| | | **Total** | | **13,724** | | **15,270** | | **+1546** |

## 8. **Other budgets**:

8.1 Disability Access Fund (DAF) rate has risen to a yearly rate of £975. Table 4 shows the indicative budget for the various age groups.

Table 4

| **Age** | **Budget** |
|---|---|
| 3&4YO | £261,300 |
| | |
| 2YO | £53,625 |
| | |
| U2YO | £12,675 |
| | |
| **Total** | **£327,600** |

8.2 Early Years Pupil Premium has risen to an hourly rate of £1.15. Table 5 shows the indicative budgets for the various age groups.

Table 5

| Age | Budget |
|---|---|
| | |
| 3&4YO | £342,971 |
| | |
| 2YO | £132,346 |
| | |
| U2YO | £15,287 |
| | |
| **Total** | **£490,604** |

## 9. Maintained Nursery School Supplement

9.1 Maintained Nursery Schools (MNS) receive Supplementary Funding which is additional funding that was initiated as part of the move to the NFF (National Funding Formula) to provide funding protection with respect to historic duties to 3- and 4-year-olds.

9.2 For financial year 2026/27 the DfE have advised that funding rates have been adjusted to account for workforce costs, inflation, and the integration of the Early Years Teachers' Pay Grant (EYTPG) into core funding received in the funding block. This is a change to previous years where the EYTPG was paid to Maintained Nursery Schools only. The MNS indicative budget for 2026/27 is £914,730 *(hourly rate increase of £0.30) and the suggested distribution method is outlined in 9.3. This method has been voted for in the three previous budgets as it provides the MNS based on pupil numbers ensuring an equal rate for all children.

9.3 Using the predicted data from the DfE of 293.38 children will provide an indicative child rate of £3,117.90. *(The aim will be to confirm the child rate once census 2026 has been completed and the child number data known, this is dependent on dates).

9.4 Table 6 shows the illustrative figures from the DfE. Any surplus amount will be distributed amongst the 5 MNS. *Some totals are rounded up or down by £0.01 depending on method used.

Table 6

| Nursery School | Numbers on roll (rounded up) | Total MNS | 3 Instalments of |
|---|---|---|---|
| **N1:** | 48 | £150,930.37 | £50,310.12 |
| | | | |
| **N2:** | 66 | £205,814.14 | £68,604.71 |
| | | | |
| **N3:** | 43 | £132,635.78 | £44,211.93 |
| | | | |
| **N4:** | 79 | £246,976.97 | £82,325.66 |
| | | | |
| **N5:** | 57 | £178,372.25 | £59,457.42 |
| | | | |
| **Total** | **293** | **£914,729.50** | **£304,909.83 X3** |

**Summary**

1. Local authorities (LA) are required to consult with Early Years providers and Schools Forum on proposed changes to the local formula which are then agreed with our School Forum.

2. The purpose of the consultation is to seek views and comments on how the Early Years Dedicated Schools Grant (DSG) for 2025/26 should be distributed locally. Consultation is carried out through the Early Years Working Group which is made up of the different early years' providers, - Private, Voluntary, Independent, and Maintained schools. Responses provided by the Group have been used to outline the preferred option for distribution of the EY DSG.

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**Recommendations**

Schools Forum is requested to:

a) Note the total indicative budget allocated by the ESFA for DSG Early Years Block for 2026/27 financial year.
b) Note the changes to census recording and how this is predicted to impact 3&4YO data and note the DfE support mechanism to mitigate a financial impact on the LA.
c) Agree the hourly pass-through rate and funding to be paid to early years providers in 2026/27 financial year, as set out in Table 2.
d) Note the early years central retention budget of 3% to support providers and administration of the early years entitlements.
e) Note the preferred option suggested distribution method by the Early Years Working Group is and vote if in agreement.
f) Note the changes to the Teachers Pay and Pension Contributions from the DfE and agree the option for the distribution of the Maintained Nursery School Supplement for 2026/27.
g) Note the preferred option suggested distribution method by the Early Years Working Group is the same as 2025/26 and vote if in agreement.
h) Note information on the indicative numbers for funded children in 2026/27.

**Key Changes for 2026–2027 Compared to 2025–2026:**

- Both Maintained and Private, Voluntary, and Independent (PVI) providers will be required to submit data through a termly census.
- The Early Years Teachers' Pay Grant (EYTPG) will now be included within the core funding allocation.
- Extra funding has been allocated by the DfE to account for the anticipated increase in children eligible for 3- and 4-year-old entitlement, particularly those who may not be captured in the termly census.
- Deprivation Funding will be available for all eligible children for 15 hours per week over 38 weeks per year, with eligibility linked to receipt of Early Years Pupil Premium (EYPP**).**


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**Date: 09/01/26**

## Appendix A - EARLY YEARS EDUCATION AND CHILDCARE – GLOSSURY OF TERMS - ACRONYMYS / TERMINOLOGY / DEFINITIONS

The Early Years Education and Childcare glossary define terms used in this paper and their meaning.

| ACRONYMS / TERMINOLOGY | WHAT IT STANDS FOR | DEFINITION |
|---|---|---|
| DfE | Department for Education | Responsible for children's services and education, including early years. Provides local authorities with relevant funding streams which together form the early years block of the dedicated school's grant. |
| DSG | Dedicated Schools Grant | Ring-fenced specific grant allocated to the Local Authority by the Government to support a range of education related services. |
| U2YO | Under 2-year-old | Extended entitlement from September 2024 - funding for the15 hours entitlement for 9-month-old up to 2-year-old children of eligible working parents. |
| WF2YO | Working family 2-year-old | Extended entitlement from April 2024 - funding for the 15 hours entitlement for 2-year-old children of eligible working parents. |
| RAS2YO | (Families) Receiving Additional Support 2-year-old | Where families meet the eligibility criteria to receive early years education from the funding period after their second birthday. |
| U3&4YO | Universal 3- & 4-year-old | Funding for the universal 15-hour entitlement for all 3 and 4-year-olds. |
| WF3&4YO | 30 hours 3- & 4-year-old | Funding for the additional 15 hours for 3 and 4-year-old children of eligible working parents. |
| EYPP | Early Years Pupil Premium | Extra funding to providers to support education for 3 and 4-year-olds, 2-year-olds and under 2s, if the parents are on certain benefits. |

| | | |
|---|---|---|
| DAF | Disability Access Fund | Funding paid for 3 and 4-year-olds, 2-year-olds and under 2s.<br>The national rate for DAF is £910 per eligible child per year. |
| DEP | Deprivation | Local authorities must use this supplement to recognise deprivation in their areas to support any disadvantaged or vulnerable children. |
| PVI | Private Voluntary and Independent Settings | These are childcare providers that are not maintained schools or academies |
| EY | Early Years | Early Years childcare |