

REPORT TO: Schools Forum

DATE: 25 February 2026

REPORTING OFFICER: Operational Director – Finance

PORTFOLIO: Children & Young People

SUBJECT: DSG Early Years Block 2026/27

WARD(S) Borough wide

1.0 PURPOSE OF THE REPORT

To update and seek Schools Forum recommendations on the Dedicated Schools Grant (DSG) 2026/27 for Early Years.

2.0 RECOMMENDATION

That Schools Forum note and comment on the proposed 2026/27 hourly rates and supplements for the Early Years funding formula, applicable from the 1st April 2026.

3.0 SUPPORTING INFORMATION

3.1 Dedicated Schools Grant (DSG) settlement

The 2026/27 DSG settlement was announced on 17th December 2025, allocating Halton a total of £178.850m. This is broken down as £122.425m for the Schools Block, £0.768m for the Central Schools Services Block, £31.877m for the High Needs Block, and £23.781m for the Early Years Block.

Schools Forum approved the Schools Block allocations and mainstream school funding formula unit values at its meeting of 21st January 2026, with Early Years, High Needs and Central Schools Support Services to be considered at this meeting, 25th February 2026.

For CSSB, we see a small increase of £0.003m over the 2025/26 budget, in spite of the year-on-year 20% reduction in historic commitment funding and the main driver (pupil numbers) being 246 fewer (a reduction of 1.4%). This is because the unit of funding has increased by 2.1%, from £43.05 to £43.97.

High Needs Block, before deductions for place funding recoupment, is an increase from 2026/27 of £2.61m (+8.9%). However the lion's share of the increase (£2.1m) is as a result of grants (CSBG, pay & pensions, national insurance contributions, previously separate) being subsumed into DSG. Additionally, the formulaic calculation – an intrinsic principle of the National Funding Formula – has been suspended, with 2026/27 allocations being based on the previous year's allocation, tweaked slightly for some local factors. So essentially a funding freeze. The justification is that the government's imminent SEN review proposals will require wholesale revisions to the allocation methodology, so the freeze is an interim transitional position.

After last September's expansion of the Early Years programme, to a 30-hour entitlement for 2-year olds, and new entitlement for 9 months to 2 years, there are no structural changes to Free Early Years Entitlement (FEYE). However, frequency of funding recalculation is increasing, discussed in section **3.2**.

3.2 **Early Years Block**

The DSG announcement has provided an indicative Early Years allocation which includes the up-to-date hourly rates to be used in Halton's determination of the under 2, 2, 3 and 4 year old early education funding entitlement to Maintained Nursery Schools, Nursery Classes, and Private Voluntary and Independent (PVI) settings, including Childminders.

The 2026/27 Early Years Block will remain in a state of flux throughout the financial year. Previously, the application of 2026 Spring Term census data would generate a revised allocation during the Summer, to account for the January census data which were not available at the time of budget-setting, but now, **termly** census data for all year groups will come into play, with appropriate revisions after validation of each of these.

The indicative allocation for 2026/27 is £23.781m which is £3.095m greater than 2025/26; this reflects the full-year effect of September 2025 national changes to enhance the 2-year old offer and further develop the new under-2s offer, as well as the incremental hourly rate funding increases. £243,729 is a protection element to Halton for the adoption of termly 3 & 4 year-old census counts; broadly speaking the expectation is that termly counts will reduce the recorded numbers, so for the first year, a protection equivalent to 18p/hour is built-in.

By necessity, the funding system for Early Years is lagged; Authorities commit to funding settings based on actual recorded activity, but the funding coming into them is based on **past** activity. Universal adoption of termly funding will reduce the period of lagging, such that – theoretically – the difference between funding in and funding out, and consequently the year-end variance (underspend or overspend) on Early Years Block, should reduce.

The indicative rates and component DSG allocations are provided within the table overleaf:

Funding Stream	Hourly Rate (Rate)	Nos.	Total Indicative Funding	Hourly Rate Variance to 2025/26
Universal Entitlement: 3 & 4 year olds	£6.48	1577.28	£5,825,842	£0.51*
Extended Offer: 3 & 4 year olds	£6.48	798.25	£2,948,417	£0.51*
Disadvantaged: 2 year olds	£8.96	368.80	£1,883,536	£0.44
Working parents: 2 year olds	£8.96	909.64	£4,645,714	£0.44
Under-2 year olds	£12.18	1071.77	£7,440,871	£0.58
Early Years Pupil Premium: 3 & 4 year olds	£1.15	435.29	£285,333	£0.15
Early Years Pupil Premium: 2 year olds	£1.15	227.60	£149,192	£0.15
Early Years Pupil Premium: Under-2 year olds	£1.15	25.07	£16,434	£0.15
Disability Access Fund: 3 & 4 year olds (annual)	£975.00	101	£98,475	£37.00
Disability Access Fund: 2 year olds (annual)	£975.00	34	£33,150	£37.00
Disability Access Fund: Under-2 year olds (annual)	£975.00	3	£2,925	£37.00
Maintained Nursery School supplementary (annual)	£5.47	144.75	£451,317	£0.20

£23,781,20
6

*includes the 18p transitional protection

The 2026/27 hourly rates position Halton as 60th in Authority funding rankings nationally (as indeed we were last year), with two-year olds, and under-2 year olds, at 97% of national average, and 3s and 4s at 96% of national average. Demonstrating possible geographical inequalities, Halton is, though, above the North West average funding level at all age ranges (102.75% for 3s & 4s, 104.0% for 2-year olds and under-2s).

The LA recognises the budgetary pressures our settings are under, and is committed to maximise the proportion of funding directly passported to providers. Our proposals are based on passing on ALL of the year-on-year funding increases at 2 and under, and 96% (49p of 51p) of the 3 & 4 funding rate increase, with an overall passporting level of 0.5% above the increased requirement of 97%.

In other words, we are proposing to take the funding rates agreed for 2025/26, following consultation with settings, and ratification by Schools Forum, and adding the in-year funding increases to each of the 2 year olds, and unders, and 49p/hour to the universal and extended 3 & 4 year-old entitlement.

Proposed allocation by percentage across the funding elements, and indicative funding totals as a consequence, are shown below:

Funding Stream	LA Retention	Base Rate	Deprivation	Quality	SENIF	Contingency
Under 2 year olds	2.50%	96.35%	N/A	N/A	0.50%	0.65%

2 year olds	2.50%	96.61%	N/A	N/A	0.70%	0.19%
3 & 4 Year Olds	2.50%	91.58%	2.63%	2.16%	1.00%	0.13%

Funding Stream	LA Retention	Base Rate	Deprivation	Quality	SENIF	Contingency	TOTAL
Under 2 year olds	£186,022	£7,165,961	N/A	N/A	£37,204	£47,997	£7,437,184
2 year olds	£163,231	£6,317,923	N/A	N/A	£45,705	£12,635	£6,539,494
3 & 4 Year Olds	£219,356	£8,029,529	£230,189	£189,567	£87,743	£11,320	£8,767,704
	£568,609	£21,513,413	£230,189	£189,567	£170,652	£71,952	£22,744,382

Early Years Pupil Premium	£450,992
Disability Access Fund	£134,530
Maintained Nursery School	£451,300

TOTAL COMMITTED FUNDING **£23,781,206**

Of the total block of £23,781,206, the amount committed as direct hourly rate funding (base rate, deprivation, quality and maintained nursery supplement) is therefore £22,384,485.

Schools Forum is requested to comment on the hourly rates and supplements to be applied to the 2026/27 Early Years Single Funding Formula (EYSFF) determinations for all providers, as follows:

Halton's Proposed Funding Rates

	Base Rate	Deprivation Rate	Quality Rate
3 and 4 year olds	£5.93	£0.17*	£0.14
2 year olds	£8.67	N/A	N/A
Under-2 year olds	£11.73	N/A	N/A

*average

Actual deprivation allocations will vary by postcode analysis, and quality additions are assessed individually.

The pass-through rate under this methodology remains at 97.5%, above the revised national 2026/27 *de minimis* requirement of 97% (increased from 96% in 2025/26).

Funding retained for allocations under SENIF (Special Educational Needs Inclusion Fund) assessment is calculated at £170,652, an increase on 2025/26 of approximately 13%. Halton introduced a new methodology for SENIF assessment in this current financial year, and the ultimate effect of this will be assessed and reported to Schools Forum at a future meeting.

Applying these rates to January 2026 headcount data, to provide settings and providers with an indicative allocation for financial year 2026/27, shows an initial call on funding of £22,075,340. This compares with the full model estimate discussed above of £22,384,485, leaving us a notional £309,145 for in-year variations in numbers.

Pre-2s	2s (D)	2s (W)	3/4 (U)	3/4 (Ext)	Maintained Nursery Supp't	Deprivation Supplement	Quality Supp't	TOTAL
£7,123,524	£1,162,915	£5,192,483	£5,052,263	£2,686,120	£451,316	£259,848	£146,872	£22,075,340

These indicative allocations will be notified to providers by, at the latest, 28th February.

3.3 Other Early Years Funding

It is also proposed to passport the full Maintained Nursery Supplementary grant directly to maintained nursery schools. Early Years Pupil premium across the age ranges, and Disability Access Funding will be paid to schools termly based on qualifying numbers.

4.0 POLICY IMPLICATIONS

Consistent with policy to maximise direct funding of settings. Compliant with national retention guidance.

5.0 FINANCIAL IMPLICATIONS

- 5.1 The financial aspects outlined throughout this paper have been developed in accordance with statutory financial regulations, and individual operational guidance relevant to the Dedicated Schools Grant (DSG) requirements.
- 5.2 The proposals included within this paper are all funded from within the available Dedicated Schools Grant (DSG) block allocations provided for 2026/27, and represent a proposal for anticipated full use of those allocations, with no transfers to other blocks.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 6.1 **Improving Health, Promoting Wellbeing and Supporting Greater Independence**
To ensure that in Halton children and young people are safeguarded, healthy and happy, and receive their entitlement of high-quality services that are sensitive to need, inclusive and accessible to all.
- 6.2 **Building a Strong, Sustainable Local Economy**
To create an economically prosperous Borough that encourages investment, entrepreneurship, enterprise and business growth, and improves the education, skills and employment prospects of our residents and workforce, so they may share in all the opportunities Halton affords.
- 6.3 **Supporting Children, Young People and Families**
Ensure that in Halton, children and young people are safeguarded, healthy and happy, and receive their entitlement of high quality services which are sensitive to need, inclusive and accessible to all.
- 6.4 **Tackling Inequality and Helping Those Who Are Most in Need**
More refined targeting of SENIF will improve inclusion and reduce inequalities.
- 6.5 **Working Towards a Greener Future**
None

6.6 **Valuing and Appreciating Halton and Our Community**
None

7.0 RISK ANALYSIS

7.1 Failure to comply with the statutory financial regulations and operational guidance relevant to Dedicated Schools Grant (DSG) requirements, could result in formal intervention by the Department for Education (DfE)

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 The Local Authority must discharge its statutory responsibilities in relation to all schools and settings.

9.0 CLIMATE CHANGE IMPLICATIONS
None

10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Background papers and further information, including the statutory guidance that has informed this report, can be obtained via Gov.uk

For any enquiries contact Naheem.Shafiq@halton.gov.uk.