

Date of meeting:	Thursday 19 March 2026
Title of report:	Early Years Funding Update
Type of report: Delete as required	For information and approval.
Executive summary: Including reason for submission	This report considers the planned expenditure for the 2026-27 financial year in respect of the utilisation by the local authority of the early years funding retained for the delivery of centrally managed early years' service provision.
Budget / Risk implications:	The utilisation of the centrally retained Early Years DSG funding impacts on the services provided by the local authority for early years children and the early years sector within North Yorkshire.
Recommendations:	The North Yorkshire Schools Forum is asked: <ul style="list-style-type: none"> i. To note the 2026-27 Early Years DSG allocation, based on the local NYC funding forecast, and to approve the associated planned expenditure
Voting Requirements	All Schools Forum Voting Members
Appendices:	N/A
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Presenting officer:	



1.0 PURPOSE OF THE REPORT

- 1.1. This report considers the planned expenditure for the 2026-27 financial year in respect of the utilisation by the local authority of the early years funding retained for the delivery of centrally managed early years' service provision.

2.0 BACKGROUND

- 2.1 At the January 2026 meeting of the Schools Forum, an update was provided on the following key aspects of early years funding for the 2026-27 financial year:

- Details of the DfE announcement in December 2025 of the details of the 2026-27 early years entitlement funding.
- The 2026-27 early years local authority funding rates for North Yorkshire
- The 2026-27 early years provider funding rates for North Yorkshire, as approved by CYPS Executive Members on 20 January 2026, in consideration of the responses to the principle-based 2026-27 early years funding consultation undertaken in Autumn 2025 with the early years' sector within North Yorkshire.
- The 2026-27 funding levels for the Early Years Pupil Premium and Disability Access Fund.
- Details of Maintained Nursery School Supplementary Funding
- The planned expenditure for the 2026-27 Early Years Dedicated Schools Grant (DSG)

- 2.2 Following the principle-based early years funding consultation undertaken with the early years sector within North Yorkshire in Autumn 2025, the following principles have been applied to the calculation of the proposed provider base funding rates for the 2026-27 financial year:

- The local authority funding retention rate for the provision of centrally managed service provision for early years is approx. 3% for all funded entitlements.
- The funding for the Early Years SENIF is provided from the Early Years DSG Block (approximately 2% of local authority funding rate for all funded entitlements)
- There is a single provider base funding rate for the 2-year-old entitlements for families in receipt of additional support and working parents.

- 2.3 There has been significant expansion of funded early education and childcare entitlements for working parents between April 2024 and September 2025 as follows:

- From April 2024 working parents of 2-year-olds being able to access 15 hours of funding childcare per week (38 weeks a year)
- From September 2024 working parents of 9 month to 3-year-olds being able to access 15 hours of funding childcare per week (38 weeks a year)
- From September 2025 working parents of 9 month to 3-year-olds will be able to access 30 free hours per week (38 weeks a year).

Within North Yorkshire, the number of children in receipt of early years funded provision has increased from 8,683 children in January 2024 to 15,138 in January 2026 as a result of the expansion of early years funded provision for the younger children of working parents. The Early Years DSG has increased from £34.9m in 2023-24 to a forecast £103.8m in 2026-27.

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- 2.4 The DfE have implemented a termly funding process for all early years funded entitlements for the 2026-27 financial year. The initial 2026-27 early years DSG is indicative and will be updated by the DfE to reflect the termly census data for each local authority. This change in funding process required local authorities to consider their own forecast of the termly headcounts that they expect to fund each term for each of the early years entitlements and estimate their total local budget requirement. In this respect work has been undertaken to determine a local forecast for North Yorkshire having regard to:
- Birth rates
 - Take up rates for each entitlement
 - Average hours take up for each entitlement
- 2.5 The current NYC local termly forecast headcount analysis indicates that the indicative 2026-27 early years DSG funding allocation is c£4.85m higher than the actual funding forecast to be received. The DfE will update the indicative DSG funding allocation during the 2026-27 financial year to reflect the actual termly early years census / headcount data. In order to ensure that the NYC local authority budgets reflect the actual early years DSG funding forecast to be received, the 2026-27 planned early years DSG expenditure detailed in section 2.6 below is based on the local funding forecast rather than the DfE indicative 2026-27 DSG early years funding allocation. This is a change in methodology from previous years and is required to be implemented as a result of the DfE change to a termly calculation for local authority funding allocations.
- 2.6 A summary of the planned 2026-27 Early Years DSG allocation based on local NYC forecast funding, as presented to the Schools Forum in January 2026, is detailed below:

	£'000
Funding Direct to Providers	
Universal entitlement 3 & 4-year-old places (incl. Funding Supplement provision)	22,012
Working Families entitlement 3 & 4-year-old places (incl. Funding Supplement provision)	13,475
Families in Receipt of Additional Support 2-year-old places (incl. Funding Supplement provision)	2,223
Working Families entitlement 2-year-old places (incl. Funding Supplement provision)	25,813
Working Families entitlement under 2-year-old places (incl. Funding Supplement provision)	33,598
Early Years SENIF (all entitlements)	2,010
Early Years Pupil Premium (all entitlements)	824
EY Disability Access Fund (all entitlements)	349
Maintained Nursery Schools Transition	440
Sub Total – Funding to Providers	100,744

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Centrally Managed Services – funded by 3 &4-Year-Old (Universal) DSG Funding	672
Centrally Managed Services – funded by 3 &4-Year-Old (Working Parent) DSG Funding	411
Centrally Managed Services – funded by Families in Receipt of Additional Support 2-Year-Old DSG Funding	69
Centrally Managed Services – funded by Working Families 2-Year-Old DSG Funding	802
Centrally Managed Services – funded by Working Families Under 2-Year-Old DSG Funding	1,060
Sub Total – LA Centrally Retained Funding	3,014
Total 2026-27 Early Years DSG Planned Expenditure	103,758
Funded By:	
3 &4-Year-Old Universal - 2026-27 DSG Funding – Local Forecast	23,132
3 & 4-Year-Old Working Parent - 2026-27 DSG Funding – Local Forecast	14,160
2-Year-Old FRAS - 2026-27 DSG Funding – Local Forecast	2,338
2-Year-Old Working Parent - 2026-27 DSG Funding – Local Forecast	27,150
Under 2-Year-Old Working Parent - 2026-27 DSG Funding – Local Forecast	35,365
Early Years Pupil Premium - 2026-27 DSG Funding (DfE Indicative Allocation)	824
Early Years Disability Access Funding - 2026-27 DSG Funding (DfE Indicative Allocation)	349
Maintained Nursery School Supplementary Funding - DSG Funding (DfE Indicative Allocation)	440
Total Early Years DSG (Local Forecast)	103,758

3.0 CENTRALLY MANAGED SERVICE PROVISION RELATED TO EARLY YEARS

- 3.1 The local authority is permitted to retain no more than 3% of the funded entitlements Early Years DSG funding allocation for early years centrally managed service provision in 2026-27. As the funding allocation will vary dependent on demand for the provision of funded childcare, the centrally managed service budget which can be retained is also subject to some fluctuation.
- 3.2 In respect of the 2026-27 financial year, the local authority is proposing to retain c.2.95% of the funded entitlements Early Years DSG funding for the provision of centrally managed early years services. This proposal seeks to:
- ensure provider base rate funding is maximised as far as possible.
 - recognise the funding of the early years SENIF from the Early Years DSG

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- recognise the increased overall funding quantum of the Early Years DSG entitlement funding because of the expansions of funded entitlements for working parents.
- Recognise the financial governance, financial assurance and funding process requirements and responsibilities associated with the increased funding quantum and funding claim volumes for the expanded entitlements
- Support the 'Giving every child the best start in life' mission.

3.3 In a number of service areas, the expansion of the early years funded entitlements has placed additional requirements on services and has necessitated a scaling up of service provision. In particular:

- The Early Years Finance and Funding Team has experienced significant increases in the level of funding claims required to be processed that has necessitated the scaling up of the financial monitoring and control processes.
- The Family Information Service has experienced a significant increase in service demand through contact and requests for information and advice that has required the provision of additional staffing, as well as leadership and operational management capacity, to oversee the early years' expansion programme.
- Portage and preventative services to meet the needs of the increased number of children and families requiring access to these services.
- Increased capacity to deliver a programme of quality improvement support to the early years sector to improve provision, narrow the disadvantage gap, and ensure all children are school ready in-line with both national and Council priorities.
- To respond to the additional reporting requirements placed on local authorities by the DfE

3.4 A breakdown of the centrally retained service provision planned expenditure to be funded from the early years DSG funded entitlements is shown:

	2026-27
	£000's
Early Years Early Help	631
Portage	493
Quality Improvements (Inc. Family Information Service)	870
Finance	460
Provider Email System	6
Access Management & Sufficiency	95
Other (e.g. data and performance, communications etc)	459
Total Early Years Centrally Retained Service Provision Funded Early Years DSG	3,014

4.0 RECOMMENDATIONS

4.1 The North Yorkshire Schools Forum is asked:

- To note the 2026-27 Early Years DSG allocation, based on the local NYC funding forecast, and to approve the associated planned expenditure.



EL MAYHEW

Corporate Director – Children and Young People’s Service