Shropshire Council

Schools Forum	Paper
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EY Block Allocations 2026/27

APPROVED

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Summary

This paper details the allocation of the Early Years block for the financial year 26/27.

Schools Forum are asked to approve the below allocation of funds for Early Years Block 26/27

REPORT

1 Background

The early years block funds all factors relating to three and four year-olds and disadvantaged two-year-olds in nurseries, private, voluntary and independent settings, and maintained schools. Following the announcements in the Spring budget 2023 the block will also now include funding for the new free entitlement for children from working families aged 2 years from April 24 and aged 9 months from Sept 24 – expanding to 30 hours for all children of working parents from 9 months+ from September 2025.

2 Summary of the entitlements covered by this Funding:

The free entitlements (FE) covered by this funding are as follows:

1. The universal annual FE of 570 hours of early years education and childcare for all 3 and 4-year-olds from the start of the term after their third birthday

2. The extended annual FE of an additional 570 hours of early years education and childcare for 3 and 4 year olds from 'working families' from the start of the term after their third birthday.

3. The FE of 570 hours of early years education and childcare for 2-year-olds from 'Disadvantaged families' from the start of the term after their second birthday.

4. The expanded annual FE of 570 hours of early years education and childcare for 2-year-olds from ‘working families’ from the start of the term after their second birthday.

5. The expanded annual FE of 570 hours of early years education and childcare for 9-month-olds from ‘working families’ from the start of the term after they turn 9 months old.
6. From Sept 2025 the expanded annual FE of 570 hours of early years education and childcare for 9-month-olds from ‘working families’ from the start of the term after they turn 9 months old.

Summary of the indicative Early Years block funding for 26/27

Historically overall indicative allocation of the EY block has been determined by applying an hourly rate per hour per child and multiplying this by the number of children on roll within the LA at the time of the EY census in the previous January.

The level of funding is then adjusted using the data gathered in the EY census in the following January (A) and again based on census in the following January (B) with the final figure received being based 5/12ths on January A and 7/12ths on January B census.

e.g. EY block allocation for 2026/27:

- Indicative allocation received in January 2025 based on January 2024 EY census. Adjustment made based on January 2025 and January 2026 EY census Final allocation confirmed in July 2026.

As of September 2025, we saw the introduction of the new expanded childcare entitlements. The DfE will continue to use the historic model for the allocation funding for the three existing offers. For the new offers they will use calculated figures of ‘expected’ take up and ask LAs to complete a termly census, using this information to adjust actual allocations based on the termly take up of places.

e.g. EY block allocation for 2026/27:

- Indicative allocation based on January 2025 EY census and DfE expected take up calculations.
- Adjustment based on January 2025 EY census
- Adjustment based on Summer term 2025 actual take up data submission
- Adjustment based on Autumn term 2025 actual take up data submission
- Final adjustment based on January 2026 census

For 26/27 the following per hour per child funding rates have been announced:

Funding for the universal and extended three- and four-year-old entitlements:

	Hourly rate used to determine funding
April 2025	**£6.20 phpc**

Funding for the disadvantaged and expanded two-year-old entitlements:

	Hourly rate used to determine funding
April 2024	**£7.92 phpc**

Funding for the 9-month-old entitlement

	Hourly rate used to determine funding
April 2024	**£10.74 phpc**

Using the combination of January 25 known census data for the existing entitlements, this will result in the following initial indicative overall funding within the Early Years block:

	26/27	**25/26**	**Difference**
Universal 3- and 4-year-old entitlement	**£12,971,053.00**	**£11,981,755**	**+£989,298.00**
Extended 3- and 4-year-old entitlement	**£6,947,915.00**	**£6,433,924**	**+£513,991.00**
2-year-old working parent entitlements	**£12,120,262.00**	**£10,811,771**	**+£1,308,491.00**
2-year-old of families receiving additional support entitlements	**£2,139,149.00**	**£2,866,044**	**-£726,895.00**
9-month-old entitlement	**£16,856,683.00**	**£10,065,237**	**+£6,791,446.00**
Total	**£51,035,062.00**	**£42,158,731**	**+£8,876,331.00**

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How the EY Block is spent

The EY block is used to fund the following factors:

1. Payment to providers to fund the provision of the free entitlements set out above and the following supplements.

2. Provision of the EY SEND fund to provide additional resources to support children accessing their free EY entitlements who have high levels of SEND. All LAs are required to allow for this element of funding although it down to individual LAs to decide upon the nature of the support provided and the funding used to provide it.

3. Provision of a disadvantaged fund to provide additional resources to settings with high levels of children from disadvantaged backgrounds. The provision of this fund is a requirement set out by the DfE although it is down to individual LAs to determine the amount of funding used for this purpose and the basis on which it is allocated.

4. Provision of a sustainability fund to ensure we can continue to offer provision in those areas of the county where numbers of children alone will not generate sufficient funding to cover basic costs for providers. There is requirement for LAs to hold such a fund and, whilst many do, some do not. In a rural county such as ours this has always been considered a necessary element of EY expenditure.

5. Meeting the LA costs for the on-going requirement for the provision of information, support and guidance to EY providers. This element of the block is retained by the LA to cover the costs of employment for those staff supporting EY provision, administration of the funding system and associated core costs of the provision of our service. The DfE stipulate that no more than 3% (previously 4%) of the EY block can be retained by LAs – the remainder must all be passported to providers either through the hourly rate funding or the supplements set out above. The DfE have announced that they plan to reduce the 4% retention threshold to 3% for FY 2026/27 which is mirrored within this EY block.

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Calculating the proposed hourly rate of funding to providers

When calculating the overall spending of the EY block our aim is to ensure we can:

- cover the required supplementary costs set out above
- remain within the 3% ceiling for retained costs and;
- ensure the hourly rates of funding to providers remain as reflective as possible of the costs of provision of high quality, affordable and accessible early learning and childcare

Proposed Supplementary Costs budget for 26/27

A. EY SEND fund: £1,250,000

Spend in this area has been increasing year on year. This is reflective of the following factors:

a. Increasing numbers of children presenting at settings with SEND
b. Increasing complexity of need of those children
c. Better and earlier identification of individual children's needs
d. Growing waiting lists for referral into other professional services increasing the work which is required at setting level
e. Support from ESSO's visiting settings for identification of SEND and reduction in spend
f. Establishment of SEND Hubs within Shropshire for complex needs

B. Provision of the disadvantaged supplement: £300,000

The overall spend on this element of the block has remained at £300k since it was introduced around five years ago. In order to ensure we can offer the highest possible hourly rate of funding to all providers it is proposed that we retain the funding at this level for 26/27.

C. Sustainability funding £300,000

Overall spend in this area has increased in recent years mainly due to increases in employment costs, including national living wage rises and general cost rises across industry. It is envisaged that the introduction of the new entitlements will lead to providers generating more income from the provision of new places as we go forward. We have therefore left the 26/27 budget figure at the same level as the 26/27 allocation.

- Historical spend= 24/25 £353,427.10 25/26 £162,020.80
- Forecast spend as of October 2026 for FY26/26= £245,145.00

The overall EY block available for distribution to EY providers through the hourly rate will therefore be reduced by a total of £1,850,000 to cover the costs of the SEND, disadvantaged and sustainability supplements.

This amounts to 3.62% of the overall allocation

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D. Central retained costs **£1,250,000**

We are budgeting for an increase of our central retained costs for 26/27 across several factors. Apart from the day-to-day management of the Early Years central team function, we have recruited Early Years SEND Support Officers. The role of these new posts is to provide targeted information, advice and support to providers to support with meeting the needs of our SEND children. It is intended that these officers will work directly with children and providers offering expertise advice and support, with the long-term vision of reducing the pressure on the above SEND fund (A). We intend to recruit further officers in the future due to a growing need for support with SEND within Shropshire's Eary Years settings. Following discussions with providers, it is also the intention to enhance the centralised training function, offering greater 'free at point of delivery' high quality CPD available to all providers / settings. A small proportion of these retained costs will also be used to enhance and upskill centrally retained colleagues.

The overall EY block available for distribution to EY providers through the hourly rate will therefore be reduced by a total of £1,250,000 to cover the retained costs set out above.

This amounts to 2.45% of the overall allocation, well within the 3% ceiling set out by the DfE and maximising the amount of allocations passed onto providers, through hourly rates.

Hourly Rates of Funding for 26/27

The following hourly rates of funding to providers is to support the provision of the free entitlements:

Entitlement	24/25 Rates	25/26 Rates	26/27 Rates	Increase
3&4 YO – both universal and extended	£4.95 (£5.03 ETYPG*)	£5.42	**£5.88**	**+46p (+8.49% YOY)**
2YO – both disadvantaged and expanded	£6.90	£7.15	**£7.70**	**+55p (+7.70% YOY)**
9-Month-old	£9.05	£9.15	**£9.67**	**+52p (+5.28% YOY)**
Average rates	£6.99	£7.24	**£7.75**	**+6.58% increase YOY**

Based on the methodology used for the allocation of the indicative budget this will result in the following overall spend of the EY block 2026/27:

Entitlement	Hourly rates spend	Total available
3 & 4 YO	£18,890,891.21	£19,918,968.00
2YO	£13,863,314.80	£14,259,411.00
9-Month-old	£15,177,292.25	£16,856,683.00
Centrally held SEND	£1,250,000.00	
Sustainability	£300,000.00	
Disadvantaged	£300,000.00	
Total Allocation	£49,781,498.26	
Central Retained Costs (Max 3%)	£1,250,000.00	
Total	**£51,035,062.00**	**£51,035,062.00**

Other factors within the overall EY block

There are two other elements of the overall Early Years block. These are:

A. Early Years Pupil Premium (EYPP)

EYPP is paid as an additional amount to any child accessing their free early years entitlements who also meets the eligibility for Free School meals. The hourly rate at which the LA is funded for EYPP will be £1 phpc. The expectation is that this rate is passed on in full to eligible children based on a termly headcount. The overall funding allocated through this element of the block is **£385,128.00**

B. Disability Access Fund (DAF)

DAF is paid to any child who accesses their free early years entitlements who are also eligible for Disability Living Allowance The annual rate of funding for DAF is to £975 per child in 2026/27 reflecting a 3.9% uplift. The overall funding allocated through this element of the block is **£183,300.00**

<u>Approval</u>

Schools Forum are asked to approve the above allocation of funds for Early Years Block 26/27