Report to the Lancashire Schools Forum
Meeting to be held on Friday 3rd July 2026

Item 9

Recommendations of the Early Years Block Working Group

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Brief Summary
On 22 June 2026, the Early Years Block Working Group considered several reports, including:

1. **School Budget Outturn 2025/26**
2. **School Balances 2025/26**
3. **Clawback 2026/27**
4. **Early Years Budget 2026/27**
5. **Early Years Budget Exceptional Funding 2026/27**
6. **Inclusive Early Years Fund Grant for 2026/2027**
7. **Early Years Budget 2027/28**
8. **Inclusion Fund and Early Years Educational Health Care Plans**
9. **Payment Process**
10. **Scheme for Financing Schools in Lancashire**
11. **Schools Forum Annual Report**
12. **Any Other Business**

A summary of the information presented, and the Working Group's recommendations are provided in this report.

Recommendations

The Forum is asked to:
- Note the report from the Early Years Block Working Group held on 22 June 2026
- Ratify the Working Group's recommendations.

Detail
On 22 June 2026, the Early Years Working Group considered several reports. A summary of the information presented, and the Working Group's recommendations are provided below:

1. School Budget Outturn 2025/26
This report set out the year end position of schools' delegated budgets at 31 March 2026. A copy of the full report presented to the working group is provided as an appendix to the High Needs Block summary report. This report was noted under Item

8. Further details were provided, and members concentrated on the Early Years Block schools.

The Early Years Block outturn position for 2025/26 indicates a circa £1.64m underspend. Further information on the significant variances is provided below:

Under 2-Year-Olds
Early Years Block expenditure relating to under 2-year-olds overspent by £5.27m, however please note additional grant income of £5.9m was received to offset the additional expenditure.

2-Year-Olds
Early Years Block expenditure relating to 2-year-olds overspent by £3.15m, however an increase in grant income of £3.8m was received to offset the additional expenditure.

Overall Variance
In summary, the EYB ended the 2025/26 financial year with a £1.64m underspend. Due to the extended entitlements within Under 2-year-olds and 2-year-olds, the DfE are funding LAs on a termly basis, ensuring that take up is funded appropriately.

Please note however that the adjustment for the spring term will be processed by the DfE in July 2026. Based on the PTE data the Council are expecting a negative adjustment to partially offset the year end underspend.

The working group:
Noted the report

- **The DfE Early Years spring adjustment creates an artificial underspend at year end that will be adjusted in the new financial year.**

2. **School Balances 2025/26**
   This report was noted under Item 8.

   The working group:
   Noted the report

   Discussed:

   - **School balances have fallen, potentially due to the lower clawback threshold.**
   - **Some schools have challenged clawback decisions, but the policy remains unchanged.**
   - **Exemption requests show schools are engaging with the process.**
   - **SIG will begin challenging schools with high balances and may raise this through governor agendas.**

3. **Clawback 2026/27**
   This report was noted under Item 8.

   The working group:
   Noted the report

Discussed:

- **Most authorities use 5% and 8% thresholds but retaining 8% for now will provide another year of data and give secondary schools more time to prepare.**
- **Thresholds can be reviewed next year, with the expectation that balances should be used to benefit current pupils.**

4. Early Years Budget 2026/27

Verbal update from Aby Hardy to explain the budget setting process for 2026/27 as requested by members.

The working group:
Noted the report

Discussed:

- **Members requested baseline accountability data from the Quality Assurance and Sufficiency teams to assess value for money, impact on the sector, training quality, workload and engagement.**
- **A request was made for regular budget updates to the Working Group.**
- **A report explaining 2026/27 process will be circulated.**

5. Early Years Budget Exceptional Funding 2026/27

This report details on the proposed plans to utilise the 1% Early Years Block transfer to the High Needs Block for 2026/27.

For 2026/27, Schools Forum agreed a 0.75% Early Years Block retention, with the Council transferring an additional 1% (£2.25m) to the High Needs Block, bringing total retention to 1.75% (approximately £3.95m). Part of this funding will support a new exceptional funding pathway for children without an EHCP who require targeted support. The local authority proposes enhancing Early Years Inclusion Funding through a tiered funding model, with allocations determined by Specialist Teachers and reviewed over a three-term period. New needs-led tier descriptors and funding bands are being developed, with up to three additional funding tiers expected above the current Inclusion Funding level. Based on current demand and projected need, around 30% of children receiving Inclusion Funding may benefit from the new exceptional funding, with estimated costs of £1.03m, while existing Inclusion Funding is expected to remain unchanged for 2026/27.

The working group:
Noted the report
Discussed:

- **It was noted that this will be in place from September 2026 and payments will be backdated to 1st April 2026 where applicable.**
- **Due to the backdating of the funding, members were made aware that there may be a slight processing delay due to the anticipated backlog of payments.**

6. **Inclusive Early Years Fund Grant for 2026/2027**
This report outlined the LA's methodology for the Inclusive Early Years Fund Grant. In February 2026, the Department for Education (DfE) announced the Inclusive Mainstream Fund, with a total value of over £500 million per year. As part of this programme, the Inclusive Early Years Fund (IEYF) will provide £47 million of additional funding nationally in 2026/27 to support early years settings to become more inclusive for children with special educational needs and disabilities (SEND).

Final local authority allocations for the Inclusive Early Years Fund will be published in July 2026. These allocations will be final and will not be subject to any adjustments. Lancashire's overall allocation will be calculated using:

- the number of part-time equivalents (PTEs) accessing the universal 15-hour entitlement for 3- and 4-year-olds, as recorded in the January 2026 Schools, Early Years and Alternative Provision Censuses; and
- the DfE-issued PTE rate for Lancashire.

Lancashire County Council will distribute the Inclusive Early Years Fund to eligible early years settings using the DfE-recommended formula:

- 75% based on January 2026 PTEs and
- 25% based on deprivation, using the 3- and 4-year-olds 2026/27 deprivation rates.

DfE guidance states that funding allocations should be sufficient to support meaningful change in inclusive practice at setting level, and as such the DfE have recommended a minimum threshold of £1,000, therefore Lancashire has adopted the DfE recommended threshold and guidance. As a result, once the DfE formula has been applied, the number of settings eligible to receive the grant is expected to be small. The local authority will write to those early years providers who are eligible for payment at a later date, with payments to eligible settings anticipated to be made in August 2026.

Settings must ensure that the funding is used for its intended purpose. The DfE expects early years providers to retain appropriate financial demonstrating how the funds have been spent. This information will be requested for reporting purposes to the DfE. This information was communicated to settings in May.

The working group:
Noted the report

Discussed:

- **The funding appears disproportionate compared with primary and secondary sectors, with indicative figures suggesting a small number of settings will receive the funding.**

7. **Early Years Budget 2027/28**
A verbal update was provided around the plans for the Early Years Budget for 2027/28. The La is currently reviewing plans for the budget and will look to consult the sector when possible.

The working group:
Noted the verbal update.

Discussed:

- **Members raised concerns were raised around the process of the 26/27 EY budget and would urge the LA to formalise a transparent consultation.**
- **Officers plan to meet with members of the sector to consider the budget.**
- **It was reiterated to the EYWG by officers that it is the principle of applying the central retention and not the finalised rates that the consultation is based on.**

8. Inclusion Fund and Early Years Educational Health Care Plans Payment Process

The processing of EY's EHCP and IF payments will move into the Schools Finance Team from September 2026. There may be a small downtime over summer for the eform, but disruption is expected to be minimal. This is to bring payments inline with other DSG payments for processing and monitoring purposes.

The working group:
Noted the report

Discussed:

- **A backlog remains due to the current manual process, with recent payments covering two terms as a lump sum.**
- **The new process should improve payment timeliness, but funding will depend on service data.**
- **There are concerns about cashflow and potential funding shortfalls for private providers, and the full impact of the new arrangements is not yet known.**

9. Any Other Business

There was one item of any other business.

9.1 Temporary Family Hubs Grant

Saphire Murray raised the temporary Family Hubs grant which the La is proposing to utilise this to to expand the Portage offer to school-age children outside the Family Hubs programme.

- The proposal aims to increase support for children not attending settings, while maintaining the current offer.
- The impact of the expanded service will be monitored to inform future funding decisions.

The working group:
Noted the update