

## **Early Years Budget Updates 2026/27**

### **Key Messages**

Forum members are asked to note the **2026/27 early years budget** updates announced 18 July 2025 - that:

- The centrally retained percentage that Local Authorities (LAs) can keep will reduce from 4% to 3%.
- LAs must publish the early years funding rates annually by 28<sup>th</sup> February.
- There will be a DfE consultation held by summer 2026 to review the early years national funding formulae.
- The introduction of termly census returns to drive funding payable to LAs.

### **1. Introduction/background**

- 1.1. In July 2025 the Department for Education (DfE) announced several updates regarding early years funding for 2026/2027 which are detailed below.

### **2. Pass Through Increase – 97%**

- 2.1. The Government has announced that in 2026/27 all LAs can claim a maximum 3% top slice and that 97% of the Early Years funding must be paid to early years providers. This will ensure providers see a higher proportion of funding paid.
- 2.2. Sheffield retained 4% of the 3- & 4-year-old budget in 2025/26 and 1% of the 2-year-old and under budgets.

### **3. Early Years Published Rates Deadline - 28 February**

- 3.1. The DfE has updated the Schools and Early Years Finance (England) Regulations from 2026/27: 28 February will be the new statutory deadline for LAs to confirm local funding rates to early years providers. This moves the expectation, set out in 2025/26 operational guidelines, to a statutory footing.
- 3.2. The DfE believes this deadline gives providers more time for business planning while also ensuring LAs have sufficient time to run their local formulae.
- 3.3. Early years national funding rates for 2026/27 will be confirmed in the usual way in the autumn term to LAs.

## **4. Updates from the Best Start in Life (BSIL) Publication**

- 4.1. On 7 July 2025, the DfE published the Government's strategy for giving every child the best start in life. The publication confirmed a review of early years funding arrangements from 2027 onwards and set out more detail on early years SEND Inclusion funding in the forthcoming Schools White Paper.
- The DfE will review early years funding including the early years national funding formula, consulting with the sector on a set of changes by Summer 2026. They intend to review how funding is distributed nationally and locally to ensure the funding system remains fair and effective in reflecting the costs of delivery and supporting those children and parts of the country that have higher levels of additional needs.
  - The DfE intends to make it easier for children with SEND to access early education and childcare by investing in the support available to them in early years and improving the way funding is distributed to providers. This improved early years inclusion funding will provide additional resources for providers to better support inclusion and early intervention to prevent the escalation of needs. There will be more details on the Government's approach to SEND reform in the Schools White Paper this autumn.

## **5. Termly census**

- 5.1. There will be a change in the early years census - from an annual to a termly census from the financial year 2026/27. The DfE currently funds LAs for the new working parents' early years entitlements based on termly headcounts. However, the 3- and 4-year-old entitlements are funded based on an annual headcount. To improve the accuracy of funding allocations, and to better align the funding pattern with LAs from 2026/27, they will be funded for all early years entitlements on termly headcounts.

## **6. Recommendations**

- 6.1. Forum members are asked to note the 2026/27 early years budget update as per above.