Department for Education

Early years funding: proposed changes to the entitlements funding system

Government consultation

Launch date 6 July 2026

Respond by 14 September 2026

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Introduction

This consultation seeks views on proposed changes to the early years funding system associated with the current offer of early years entitlements.

Who this is for

Local authorities
Early years providers
Parents and carers

Issue date

The consultation was issued on 6 July 2026

Enquiries

If your enquiry is related to the policy content of the consultation you can contact the team via email on: EYFunding.Consultation@education.gov.uk

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the DfE Ministerial and Public Communications Division by email: coordinator.consultations@education.gov.uk, telephone: 0370 000 2288 or via the DfE Contact us page.

Additional copies

Additional copies are available electronically and can be downloaded from GOV.UK DfE consultations.

The response

The results of the consultation and the Department's response will be published on GOV.UK in Autumn 2026.

About this consultation

This consultation document sets out our vision for a reformed early years funding system for the early years entitlements, alongside our proposals for transition in 2027-2028.

We would like to hear your views on our proposals.

Respond online

To help us analyse the responses please use the online system wherever possible. Visit DfE consultations on GOV.UK to submit your response.

Other ways to respond

If for exceptional reasons, you are unable to use the online system, for example, because you use specialist accessibility software that is not compatible with the system, you may request an alternative format of the form.

By email

EYFunding.Consultation@education.gov.uk

By post

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Deadline

The consultation closes on 14 September 2026.

Our vision for Early Years funding

Introduction

The government has put children's early years at the heart of our Plan for Change, with the aim of a record proportion of children reaching a good level of development in the Early Years Foundation Stage Profile assessment at age five by 2028. To deliver this mission, in July 2025 we published our strategy '*Giving every child the best start in life*'. This set out how we want all children, regardless of background, to have access to high-quality early education and childcare.

In the strategy, we committed to review early years funding and consult on changes to how we distribute that funding to support the aim of ensuring every child has the best start in life. This consultation document sets out our proposed changes to the entitlements funding system, which are targeted at: improving access to childcare for families on low incomes; improving support for children with Special Educational Needs and Disabilities (SEND) in the early years; expectations for the Best Start in Life strategy; and driving greater efficiency, simplicity and transparency in the way funding is allocated, so every penny can work harder for children and families.

This consultation sets out important proposals for improvements to the entitlements system that can be made in the coming years. More broadly, however, the Department for Education (DfE) is also looking at wider changes to the early education and childcare system as part of the forthcoming cross-government early education and childcare review, announced at the 2025 Autumn Budget. The recent expansion of the working parent entitlement means that the government is delivering more support to families than ever before, yet we know there is more to do to create an effective, high quality early education and childcare system that meets the needs of all children and families.

The early education and childcare review will set out a new vision for the system – one that improves children's life chances and supports parents' work choices. One that is simpler and easier to use for both providers and parents, improving access and the impact of the government's investment in children and families.

Earlier this year, DfE also published the Every child achieving and thriving white paper alongside a consultation, SEND reform: putting children and young people first. This set the vision for an inclusive education system which delivers earlier support for children and families. The proposals in this consultation reflect this vision within the early years funding arrangements. The SEND reform consultation closed on 18 May 2026 and we are carefully considering all responses before deciding how best to proceed. In places, this consultation refers to the proposals in the SEND reform consultation which are not yet settled.

This consultation on early years funding is an important first step towards these aims and will ensure that funding is distributed in a simple and efficient way to those who need it most.

Case for change

The government now funds the majority of early education and childcare hours in England – around 80% – spending over £9.5 billion in financial year 2026 to 2027. We are now delivering more support for working families than ever before. Working families who claim the full 30 hours entitlement are saving, on average, £8,000 per child per year.

We know that all types of early education and childcare providers are working hard to deliver high quality provision for children and families. We continue to prioritise and protect investment in the early years, which is why we are investing over £1 billion more in early years entitlements this year compared to 2025 to 2026, to deliver an above inflation increase to entitlements funding rates and a full year of the expanded entitlements. We want to ensure the market continues to be financially sustainable and can create places where they are needed most.

However, the system is overly complex – with multiple schemes available with often overlapping eligibility, and a system for distributing funding that is confusing for parents and providers alike. Despite increased investment, early years entitlements funding arrangements have not been significantly updated since 2017.

Through this consultation, we are proposing a set of funding reforms to help address the following problems:

Access to entitlements:

We know that eligible children who stand to benefit the most from early education and childcare, such as disadvantaged children and those with SEND, are less able to access funded entitlements. Additional costs can limit access for children from low-income families and dilute the ability for parents to make different work choices. A reformed early years funding system will better target eligible children and families who need the most support. We are consulting on providing more support to families with the extra costs of accessing a childcare place and we are also making important formula updates to reflect the costs of delivery in different parts of the country. Targeting our funding towards disadvantaged children delivers greater benefits by improving child development outcomes and enabling parents to work.

Supporting children with additional needs:

Funding for early years SEND differs significantly across the country, leading to uneven support for children. Processes for accessing additional funding are often bureaucratic and slow, relying heavily on child-specific applications, which can delay support until

needs escalate. National and local funding arrangements create variation, complexity and weak incentives for settings to adopt inclusive practice, including cohort planning for the most commonly occurring needs. Underlying system challenges mean children with additional needs, including SEND, sometimes do not receive timely and effective support. Through this consultation, we are proposing moving to a simpler, less bureaucratic funding model that includes upfront funding. This will enable settings to deliver a strong, inclusive early education offer for all children at the same time as effective interventions for children that have more complex additional needs. Children with the most complex needs will continue to be supported through high needs funding and specialist interventions.

Reflecting the costs of provision:

The rules for how funding is allocated from national to local government, and then from local government to providers, are complex and create significant local variation. This has led to a postcode lottery, where providers cannot be sure what funding is intended for them and what is for central local authority activities. We want a funding system that reflects the costs of delivering high quality early years education and childcare in different parts of the country whilst making it simpler and more transparent for local authorities and providers. We also want to maximise the use of early years funding to ensure we're supporting families with the cost-of-living.

Taken together, a reformed early years funding system will have clearer, more consolidated funding streams with greater targeting at children and families who need the most support and tackling the postcode lotteries that arise from variability in funding arrangements between areas. This will make funding arrangements simpler and clearer for local authorities and providers, including by providing greater clarity about how much government funding should be passed directly to providers to deliver high quality early education and childcare.

Timeline of proposed changes

Financial year	Meeting additional needs in Early Years	Increasing the effectiveness of the Early Years entitlements budget
2027 to 2028	Inclusive Early Years Fund (IEYF) kept as a standalone grant	Key data updates in the Early Years National Funding Formula and the addition of IDACI data to the deprivation factor of the 3-and 4-year-old formula. These will be reflected in 2027 to 2028 funding rates with transitional protections

Financial year	Meeting additional needs in Early Years	Increasing the effectiveness of the Early Years entitlements budget
	Recommend that local authorities spend a minimum of 0.75% of their early years block funding on SEN Inclusion Funds (SENIF)	Local authorities to redistribute unused contingency funding to providers
	LAs to pass on more of their EL2 funding rate to providers to support disadvantaged children and their families	
2028 to 2029	Deprivation supplement more clearly purposed to improve access for disadvantaged children and families	Update the categories and reduce the number of permissible local funding supplements
	Build upfront inclusion funding (replacing IEYF) into the rates paid to local authorities	
	Replace SENIF and Disability Access Fund (DAF) with a streamlined targeted funding stream	
From 2029 to 2030	Begin rebalancing high needs funding so that a greater share is available to early years settings upfront	Begin to separate funding for local authority central services from entitlements funding allocated to providers

Meeting additional need in Early Years

Removing barriers to access for low-income families

Case for change

Funded early education and childcare support is a cost-of-living lifeline for many families and helps parents – particularly mothers – balance work and family life. Evidence shows that children who attend high-quality early education and childcare between ages 2 and 4 on average perform better at every stage of school, with children from low-income families benefiting the most[1]

This Government has increased the amount of funding supporting disadvantaged children. Building on the largest ever uplift to Early Years Pupil Premium (EYPP) in 2025-2026, we increased EYPP again to a maximum of £655 per child from April 2026.

However, barriers to access remain for disadvantaged children, including lower take-up of entitlements intended to support them (Early Learning for 2s)[2]. Areas with higher levels of deprivation generally have less access to childcare places.

For low-income families we know there are still cost-of-living barriers to accessing childcare; Recent research has shown that 36% of providers report using Early Years Pupil Premium (EYPP) to meet children's basic needs, including food, a clear signal of an unmet need for these families.[3]

Targeting support locally

Local funding supplements for disadvantaged children at a local level are highly variable and there is not always evidence that this funding translates into improved access for these children. That's why we want to take action to support families and ensure funding achieves maximum impact.

There are funding mechanisms that could be used to target support for disadvantaged children and families - local authorities have discretion to set a higher funding rate for the Early Learning for 2s (EL2) entitlement to support disadvantaged children, but few do so. There is also a mandatory deprivation supplement for 3-and-4-year-olds but

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[1] Department for Education (2025). Study of Early Education and Development (SEED). Department for Education.

Sylva, K. et al. (2014). Students' Educational and Developmental Outcomes at Age 16. Department for Education

[2] Funded early education and childcare statistics (2026)

[3] How settings understand and use the Early Years Pupil Premium | EEF

there are no consistent expectations on the level, reach or use of the supplement and it does not match the variation in deprivation we see across the country. As a result, providers face a postcode lottery, and it is not easy to see the difference it is making to improve access or quality of early education.

We propose that local authorities pass on more funding for EL2 children to providers, no longer retaining a top slice from this entitlement for central spend. This funding should be used directly by providers to help disadvantaged children and low-income families to access early education and childcare. We also propose setting out more clearly how the deprivation supplement should be used, setting a minimum level and clearer purpose to this funding so it more directly supports disadvantaged children's access to early education.

It is important that this funding is used to tackle the real challenges that disadvantaged families and those that support them face. For example:

- The additional costs involved in supporting families to access other services or apply for additional sources of funding for them and their child. This can involve staff sitting down with parents to go through applications or helping them navigate wider services. Some local authorities use a 'Golden Ticket' approach, reaching out directly to the families likely to be eligible for Early Learning for 2s and removing the need to navigate the application process[4]. Funding can support providers and local authorities to work in partnership to support families who struggle to access what they are eligible for.
- Food costs can place significant financial pressure on parents. 44% of the lowest income parents find it difficult/very difficult to afford additional charges[5]. Whether purchasing a setting-provided meal or providing a packed lunch, the costs of food can have a major impact on access and the cost-of-living. In areas such as Westminster or Southwark councils have successfully trialled support with food costs for disadvantaged families attending private, voluntary and independent settings. Support with food costs can save parents at least £350 a year, and for families with multiple children, these costs can make a substantial difference to household budgets.
- Lower income families are often more likely to face irregular work patterns or transport barriers which make access difficult and sometimes require flexibility that providers are not always able to offer. In some areas, funding could make a difference to addressing these complex access challenges. For example, in rural areas, where transport can be a particular barrier.

[4] Centre for Education Policy and Equalising Opportunities (CEPEO) (2023) New Opportunities: CEPEO Evidence-Based Policy Priorities – Full Report. London: UCL Centre for Education Policy and Equalising Opportunities.

[5] Parent Poll Wave 15: Childcare Use and Childcare Entitlement Expansion | Ipsos

We welcome input from the sector on how local funding can be best used to support access for disadvantaged families.

Do you agree that local authorities should pass on more of the EL2 funding rate to providers to support disadvantaged children and their families?

Do you agree with the Department setting out more clearly how the deprivation supplement should be used, setting a minimum level and clearer purpose to this funding so it more directly supports disadvantaged children?

How might this funding be best used to support access for disadvantaged children to access early education childcare?

Expectations for delivering the Best Start in Life

Case for change

The primary role of early years providers is to deliver high-quality early education and childcare, but they can also play a unique role in partnership with families. Trusted early years staff usually have daily contact with families. As such, they are well placed to identify emerging needs, support children's development through proactive advice and guidance for parents and families, promote joined-up approaches between the setting and home, and connect families to wider services.

Achieving the government's Best Start in Life ambition requires a joined-up local system in communities with local authorities, early years providers, Best Start Family Hubs, health services and other partners working together to support children and families.

Families should experience coordinated support and be able to access the right help at the right time, regardless of where they first seek advice, or which early years settings their children attend.

Plan for Best Start in Life expectations

As set out in Best Start Family Hubs and Healthy Babies: guidance for local authorities - GOV.UK, local authorities are expected to establish strong partnerships between Best Start Family Hubs and early years providers, including with PVIs, school-based nurseries, maintained nursery schools and childminders. This is essential to reach families where they are and deliver consistent, high-quality practice across the early years system. Local authorities should engage early years providers in the development of their local Best Start in Life plan and integrate them as part of their Best Start network of services.

This should include strong local relationships, collaborative governance with a clear voice for early years settings, effective working partnerships, clear referral pathways and joined up service delivery to build on the strengths and support needs of all providers. These partnerships should operate as part of a coherent local system, drawing on the complementary strengths and needs of each provider and creating a seamless experience for families.

The shape of partnerships and integration will vary by local area but all early years settings and practitioners work to have trusted relationships with families and are well placed to offer advice, guidance and signpost to other services. All Best Start hubs will provide information and support on local services and operate in partnership with early years settings.

Some areas are going further in proactively identifying and sharing consistent advice in their area. This includes both signposting and actively connecting families to their local Best Start Family Hub (BSFH) and named Best Start Inclusion Practitioner (BSIP), a family-facing role focused on 0-5s with emerging needs, without need for a formal diagnosis. BSIPs will spend most of their time working with families in their named BSFH, that hub's network sites or in home visits. They will observe children, work with families and early years practitioners, model inclusive practice and deliver programmes and interventions.

Local approaches will be tailored to local needs and providers. Best Start Family Hubs and early years providers can develop more integrated approaches such as integrated workforce development between hubs and early years settings, early years settings delivering Best Start Network sites, services and outreach, BSFHs offering dedicated stay and play and support for childminders, parent facing workshops on issues like new potty training best practice, and co-ordinated support for children with additional needs.

We want to support the sector to further develop the role of early years settings in building strong partnerships with parents and how they offer support, advice and guidance to parents and families – because they already have trusted, personal relationships and regular touchpoints that parents value enormously. Building on this strong foundation will help to ensure every family – wherever they access early education and childcare – benefits from consistent, high-quality information to help their child thrive.

We will set out in the Early Education and Childcare statutory guidance how local authorities should work with providers receiving entitlements funding to support the Best Start in Life priorities with a focus on supporting children to reach the early learning goals at age 5.

We propose this will include the following:

- Local authorities and early years providers should work in partnership to develop and deliver local Best Start in Life plans. Local authorities should actively engage and involve providers in planning and implementation, while providers should contribute their expertise and support to help improve outcomes for children at age 5, including achieving the 2028 Good Level of Development target.
- Providers should be part of the Best Start network of services in their area, by working in partnership with Best Start Family Hubs and signposting families to appropriate support and services available. Some providers may choose to go further, such as hosting family support activities, and some may even wish to act as Best Start network sites.
- Providers already have a responsibility to work in partnership with families, to support the learning and development of all children in their care, and they should do this in line with local Best Start in Life plans. Practice in early years settings and advice and guidance should be aligned with the Early Years Foundation Stage statutory requirements, Development Matters, the Help for Early Years Providers site, and the Best Start in Life site[6].

Subject to this consultation process, starting in 2027, we want local authorities to make these expectations explicit in their funding agreements with providers.

How can providers best be involved and play an active role in the development and delivery of the local Best Start Local plan and Best Start Family Hub network?

What challenges do you think providers and local partners will need to overcome to ensure high quality and consistent advice to families about what they can do to support their child's development at home? How can DfE and local authorities support providers in delivering this?

Early Years SEND funding

Case for change

DfE published its consultation on *SEND reform: putting children and young people first*, in February 2026. This set out the government's ambition to create a more inclusive education system in which children's needs are identified and met early, with more children supported effectively in mainstream settings wherever possible. Early years is

[6] Providers can direct parents to trusted sources such as the Starting Reception Guide, The Potty Training Guide and CBeebies Parenting websites.

central to this vision, as it is often the point at which needs first emerge and where early support can have the greatest impact, with wider investment in Best Start Family Hubs strengthening early identification and support for children with emerging needs. Early years funding reform is critical to making this model work in practice.

The SEND reform consultation proposed a layered approach to meeting SEND need, starting with enhanced universal support; proceeding to targeted and targeted plus for meeting higher needs; and then with specialist support for children with the most complex needs who will have Education, Health and Care Plans (EHCPs).

To underpin this proposed layered system, we need to make changes to the way early years SEND funding is designed and distributed. The current system already has some successful features. We know that some local authorities are clear on the purpose of SEN Inclusion Funding (SENIF) in their area enabling swifter access to EHCPs.

However, the current funding system creates significant barriers for early years settings to access funding for children early and quickly. Multiple funding streams, such as SENIF, the Disability Access Fund (DAF), and support for children with more complex needs, operate with different eligibility rules and application processes that vary across local areas.

Existing funding streams available to meet the needs of early years children with SEND

SEN Inclusion Funds (SENIF): All local authorities are required to have a SENIF for all children below compulsory school age with SEND. These funds are intended to support local authorities to work with providers to recognise and support the low-level and emerging needs of individual children with SEND, and to help providers offer places for these children. Over time, local authorities have developed varying approaches to administering and budgeting for SENIF.

Disability Access Fund (DAF): Provides £975 a year to early years providers where a child is eligible for Disability Living Allowance and is receiving early years entitlements. It can be used to support providers in making reasonable adjustments to their settings and help with building capacity.

High needs funding: Local authorities use their high needs funding to support early years children with more complex needs and with an EHCP. Local authorities can also utilise high needs funding to fund their SENIF.

This complexity makes it difficult for parents and providers to understand what support is available, and accessing funding is often administratively burdensome and slow to reach providers. Families, children and providers experience a postcode lottery of support. Settings can spend a disproportionate amount of time understanding what

funding is available, applying for and waiting to receive funding – time that could be spent directly supporting children in their setting as soon as needs are identified.

To address these challenges, we want the funding system to better support the aims of SEND reform; enabling the sector to implement the raised expectations on inclusion, whilst ensuring children with additional needs receive timely and appropriate support. We are considering the following:

- How to structure SEND funding so that all providers can deliver inclusive provision for the vast majority of children, while ensuring additional support is available where a child's needs cannot reasonably be met from core funding alone.
- How to end the postcode lottery in local SEND support, including how much local authorities spend on SEND and what that funding is used for, while preserving some discretion to respond to local circumstances.
- How can we make experiences of SEND funding simpler to understand and access, while strengthening accountability for how it is used to improve inclusive practice in settings?

Delivering this vision means supporting the early years system to provide funding early, upfront and designed to meet the needs of very young children, consistent with the proposed layered approach set out in the SEND reform consultation.

The universal offer: All early years settings are expected to use their core early years entitlement funding to deliver inclusive provision as standard. Inclusive practice should already be embedded within provision by providing high-quality early education where all children can take part, learn and make progress, with the support and adjustments they need. The introduction of the Inclusive Early Years Fund (IEYF) in 2026 to 2027 is additional upfront funding that more purposefully shifts the system towards proactive planning for inclusion, reducing reliance on parental and provider applications for funding, and enabling settings to invest in workforce capability and inclusive practice. We expect to keep the IEYF as a standalone grant in 2027 to 2028. From 2028 to 2029 we will consider how to further enhance this upfront funding to ensure it is having the maximum impact. The intention is to ensure that this funding is core to how early years providers deliver inclusive early education in a way that embeds transparency and accountability of spend.

Targeted and Targeted Plus: There will be some children whose needs cannot be met through universal provision alone and where providers will require further support. SENIF and DAF are, at present, the main targeted funding streams in early years. However, these funding streams have been set up in different ways by local authorities and with different application processes to access this funding, meaning that children with SEND face a postcode lottery in local support. In moving to a system that is more consistent, simple, and quick for providers to access we will make support easier to

access when it is needed. We will also work with local authorities, providers and families to ensure the system is delivering the right outcomes. We will also consider how we best balance the total amount and proportion of funding for settings between universal provision (improving inclusive practice for all children) and meeting more complex needs where more bespoke support or interventions are required.

To address this, we propose creating a single targeted funding stream with a streamlined application process and purpose. This will simplify the system and improve alignment across local authorities. In addition, early years settings will be able to access high-quality support from education and health professionals through the new national Experts at Hand offer, which is backed by £1.8 billion over the next three years.

Specialist support: Children with the most complex needs would continue to receive support through EHCPs, based on new proposed Specialist Provision Packages. We are also developing proposals for a fast-track route for children under 5 with the most complex needs.

Wider reforms, including proposed National Inclusion Standards setting out evidence-based approaches to identify and meet needs, and a national training programme, are intended to strengthen the support available for all children and families across these layers.

Funding the universal offer

As part of our proposed SEND reforms, we announced that we will be providing £500 million over three years to deliver improved inclusion offers in schools, colleges and early years settings through the Inclusive Mainstream Fund. This includes £47 million of additional upfront funding for early years providers in 2026 to 2027 through the Inclusive Early Years Fund (IEYF). This will enable providers to plan and deliver more proactive support for commonly occurring needs and better enable early intervention. This is additional funding, on top of core entitlements funding, to help settings go further in embedding whole-setting approaches to inclusive practice and is the starting point for our future funding reforms.

From this year we have set out guidance on the use of this inclusion funding to enable settings to provide a strong universal offer for all, strengthening inclusion for all children across the setting, especially those with emerging SEND. For example:

- Building workforce knowledge and provision of inclusive practice: to support whole-team inclusion training, SENCo coaching, and staff release time to attend training during working hours, so staff are prepared to identify and meet children's needs early. This is in addition to the £200 million national SEND training programme announced in February, which will be available to all early years staff.

- Embedding and sustaining inclusive practice: supporting leadership time to embed learning from training, including through coaching and mentoring within the setting. This helps ensure that improvements in knowledge translate into changes in practice and improved outcomes for children.
- Making the environment more inclusive: making practical adaptations to ensure environments and teaching is accessible for all children.

We want to build on the IEYF approach from 2028 to 2029 by considering how to incorporate this funding into core funding rates that we pay to local authorities, embedding the principle that inclusion is a core feature of early years provision. This would mean that there is a visible, published amount of upfront inclusion funding for each local authority, for them to pass on to their early years providers.

Under this proposal local authorities will then play an important role in ensuring this funding is best distributed across their settings to meet local needs and drive better inclusion through a new inclusion supplement**.** This inclusion supplement will be mandatory – all local authorities will have to set up an inclusion supplement through which this upfront inclusion funding must be distributed.

There would be choices regarding local distribution of the funding. For the IEYF in 2026 to 2027, we recommended a distribution approach that sets a £1000 minimum allocation for providers. This was to ensure that allocations were a meaningful size to drive real impact. This means some smaller providers, including many childminders, may not receive IEYF funding directly. We welcome views on whether continuing to target funding in this way is the best approach, or if there is merit in spreading this funding across all providers. Spreading the funding across more providers would result in a lower minimum amount of funding per provider and potentially, because of this redistribution, some providers receiving less funding from 2028 to 2029 than they received in 2026 to 2027, or in 2027 to 2028, from the IEYF.

We will also consider whether there is scope to reallocate funding in order to increase upfront inclusion funding[7]. For example, through rebalancing high needs funding so that a greater share is available to early years settings upfront, rebalancing funding from targeted SEND funding or through diverting funding from other areas of early years entitlements funding. However, any amount available will be dependent upon future funding decisions and affordability.

When distributing upfront inclusion funding (currently IEYF), should local authorities ensure that all providers receive funding? How should providers use this funding where sums of money are small?

[7] This upfront inclusion funding refers to IEYF in 26-27 and 27-28 but from 2028 onwards would no longer exist as a standalone grant.

Should local authorities distribute this funding through a mandatory inclusion supplement?

How could local authorities distribute upfront inclusion funding in a way that targets local SEND need effectively?

Changes to targeted funding from 2028 to 2029

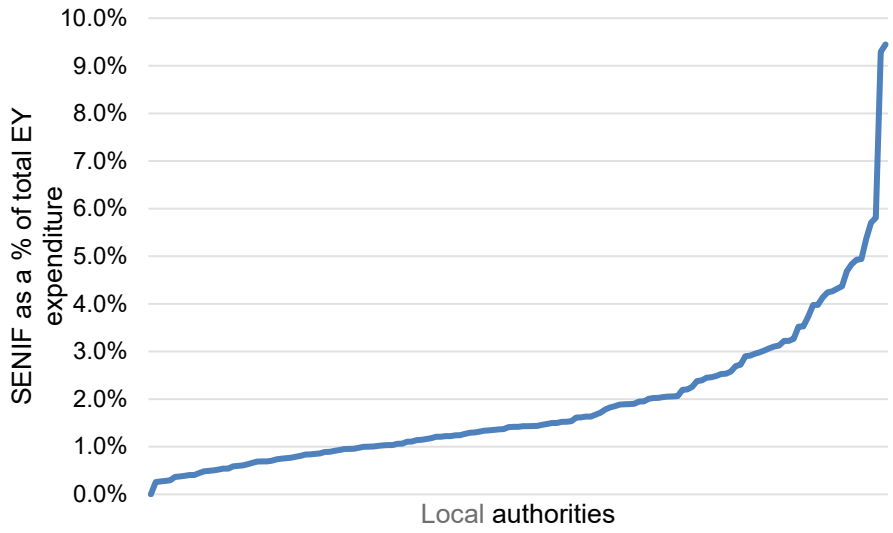
Whilst many local authorities are already directing and administering SENIF effectively to meet the needs of children with SEND, we have also heard that families and providers can face processes that are too bureaucratic and slow, leading to delays in support. There are also clear reasons to reform DAF – with many local authorities underspending on their DAF allocations, and the requirement to be entitled to Disability Living Allowance adding a further obstacle parents must overcome to get support in settings for their child. In addition, with support split across two funding streams, parents and providers have to invest time submitting multiple applications to receive funding.

We therefore propose creating a single targeted funding stream, replacing SENIF and DAF, to simplify the system and improve the consistency of SEND funding. This funding would support settings to meet children's needs where they require additional support (the proposed Targeted or Targeted plus tier). For example, this might include specialist equipment or targeted staff time, meaning additional resource is required to deliver the support.

We propose allocating this funding to local authorities using a formula that reflects relative levels of need. To do this, we would look at indicators associated with additional developmental needs and SEND rather than relying on the recording of existing needs across settings, given high variation in how needs are recorded, and to avoid driving perverse incentives in the system. For example, we could use data on free school meal eligibility and Disability Living Allowance as proxies for low-level and more complex needs, as per the approach we took to distributing the IEYF.

There is significant variation in the amount spent by local authorities on supporting children with early and emerging needs. For example, S251 data for 2025 to 2026 shows a wide range in the amount that local authorities are setting aside for SENIF as a percentage of their total planned early years spend, ranging from less than 0.5% up to over 9%. Allocating the funding nationally will reduce this variation. It will also mean that some local authorities will end up receiving more than they currently spend through SENIF and DAF, and some local authorities will receive a budget that is less than the amount they currently spend on SENIF and DAF, as the amounts would be calculated nationally in a consistent way instead of based on differing local authority budget decisions.

Total SENIF spend by local authority as a percentage of total planned early years spend expenditure for 2025-26



Source data: Local authority planned budget returns (2025 to 26 Section 251)

We recognise this will need careful implementation to mitigate the risk of disruptive changes to SEND support at a local level – we will consider this transition whilst developing the distribution method for the new national funding stream and are seeking views on how best to manage this. We propose that this budget would be set as a minimum level of spend, enabling local authorities to top up the targeted funding stream with high needs funding or entitlements funding if they do not consider their allocation sufficient to meet local needs.

We are also proposing a new national framework for how local authorities should administer this funding. The aim is to ensure more consistent application processes for settings and families to access support. The framework could include:

- Clear criteria
- A single point of application
- Nationally set timescales to ensure funding is provided quickly
- Ongoing support for children that would previously have been eligible to receive DAF

We want to work with providers, parents and local authorities to design this new national framework for distributing targeted funding, with the aim of introducing this from 2028 to 2029.

Do you agree we should replace SENIF and DAF with a new targeted funding stream for providers to access?

Do you agree that the new targeted funding stream should be distributed to local authorities using a national formula? If so, what indicators or data could we use

to allocate this?

Do you have any views on what a national framework for how this funding should be administered could include? Are there any existing local authority practices for administering SENIF you think work particularly well or not well?

Plan for transitioning to full implementation

We recognise that the changes proposed above on upfront funding and creating a new, targeted funding stream would represent a significant change for the sector. Whilst we anticipate that this funding stream will contribute to a more inclusive, equal and simple funding system for parents and providers to navigate, we also want to ensure that these changes are introduced carefully. That is why these changes would not be introduced until 2028 to 2029, and for 2027 to 2028, we expect to keep the IEYF as a stand-alone grant.

Increasing SENIF consistency

As a step towards a new targeted SEND funding stream, we propose introducing a recommendation within the operational guidance for early years entitlements that local authorities spend a minimum of 0.75% of their early years block funding on SENIF in 2027 to 2028. This could be met through either their early years block funding or high needs funding, or both.

We propose this is set at 0.75% to incentivise the lowest spending local authorities to consider how they could deliver a larger amount of funding (affecting around 20% of local authorities). The intention is to encourage additional SEND spending that is impactful – setting a level higher than this or making this a stricter condition instead of a recommendation, could lead to local authorities prioritising increasing funding quickly over effectiveness of spend.

We know that across local authorities, approaches to budgeting for additional support for children with SEND differ. We want lower spending local authorities to purposefully consider how they might increase spend gradually to meet the direction of travel of SEND reform but appreciate that local authorities will be best placed to assess their capacity within the 2027 to 2028 period.

Do you agree that, as an interim measure, we should recommend a minimum spend of 0.75% of each local authority's early years block on SENIF?

Accountability

In order to make sure that children and parents feel and see a difference, accountability will be important – whether that is for upfront inclusion or targeted SEND funding.

Currently, local authorities submit information to DfE annually on the activities providers have undertaken with their SEND funding. However, the quantity and quality of this information varies significantly and focuses on inputs and activities rather than the impact on children's learning and development.

We propose to strengthen accountability by setting requirements and conditions on the use of and continued access to inclusion funding. At its core, we propose that access to inclusion funding will become conditional on providers submitting credible evidence on how funding is being used to support inclusive practice. We propose the following:

- DfE will set clear expectations that SEND funding should be used to deliver activity and interventions based on the proposed National Inclusion Standards. Local authorities should ensure their funding agreements with providers reflect this;
- Providers should be able to demonstrate, in line with expectations in their agreements with local authorities, how they have used funding to improve inclusive practice in their settings;
- To strengthen funding conditionality, we propose that providers should be ineligible for inclusion funding or targeted SEND funding where there is insufficient assurance that upfront inclusion or targeted SEND funding is being used by settings to improve inclusive practice, or there is evidence that settings are unreasonably restricting access to children with additional needs.

We recognise this marks a shift and we'll need to ensure that accountability arrangements are proportionate but robust enough that we have confidence that SEND funding is having a positive impact for children, families and providers.

What accountability arrangements should be in place to ensure inclusion and SEND funding is improving inclusive practice in settings?

Increasing the overall effectiveness of the Early Years entitlements budget

National changes

Case for change

We want a funding system that reflects the costs of delivering government expectations of early education and childcare in different parts of the country whilst avoiding a postcode lottery of support and making it simpler and more transparent for local authorities and providers.

Since its introduction in 2017, the early years national funding formula (EYNFF) has been used to determine each local authority's funding rates for the early years entitlements. In 2023 to 2024, we introduced new, largely similar, formulae for the expanded 2-year-old and under-2 entitlements.

The EYNFF is designed to set funding rates for each local authority in a way that reflects the relative cost of providing childcare in that area, and which takes into account the level of need in the local area. The formula is made up of:

- a base rate: 89.5% of total funding is allocated through a universal base rate.
- an additional needs factor (ANF): 10.5% of funding is distributed according to levels of need across each local authority. This factor is used to ensure that: 8% of funding is distributed to local authorities based on their relative levels of deprivation8,1.5% of funding is distributed to local authorities according to the proportion of children who speak English as an additional language; and 1% of funding is distributed to local authorities based on DLA data, sitting alongside the deprivation factor to reflect varying levels of SEND in a given area.
- an area cost adjustment (ACA): which we use to multiply up local authority level rates to reflect the cost of delivery in each local authority. This ACA is broken down to account for variation in the costs of workforce (weighted at 80%), premises costs (10%) and fixed costs (10%).

For the EYNFF, it is our policy to update for the latest available data, where appropriate and where it is ready to use. This ensures that the formula continues to distribute funding fairly, in a way that reflects the latest information on needs and costs. We are

[8] in the 2-year-old and under 2s formulae this is based on FSM and Income Deprivation Affecting Children Index (IDACI) (with both FSM and IDACI weighted at 4%), though the current 3-and-4-year-old formula only makes use of FSM (8%).

not consulting on whether to update for the latest available data. However, we are using this consultation to provide an explanation of two significant data updates that we plan to make in 2027 to 2028 and to seek input on how to smooth the impact of these data updates on local authority hourly funding rates. Since the publication of 2026 to 2027 funding rates, two key data sources have been made available which revise our understanding of local authority circumstances:

- The data used to inform the ACA's workforce proxy: the Ministry of Housing, Communities and Local Government's 2026 to 2027 General Labour Market (GLM) dataset is now available and provides a far more up-to-date basis for estimating local labour costs. The proxy currently used in the formula dates back to 2013 to 2014 and is therefore significantly out of date. The new dataset not only reflects notable shifts in relative labour costs across the country but also incorporates methodological improvements that allow for more accurate estimates of local authority-level costs. These improvements include a change to give a unique value to each local authority, where previously they had been grouped, giving a more granular snapshot of local authority level costs. Within London, this methodology change has resulted in some reductions to ACA values.
- The data used in the deprivation proxy of the ANF: new 2025 Income Deprivation Affecting Children Index (IDACI) data is now available for use. At present, IDACI is included only in the formulae for 2-year-olds and under-2s. We propose to extend its use to the 3- and 4-year-old formula from 2027 to 2028, ensuring that deprivation is measured consistently across all age groups and aligning the approach with the newer formulae already in place (further detail on this is provided below).

Beyond the addition of IDACI to the deprivation factor of the 3-and-4-year-old formula, we are not proposing any significant changes to the formulae for 2027 to 2028. However, we will actively keep the structure of the formulae under review following this consultation, ensuring that the distribution of funding supports DfE's priorities on inclusion and access.

Plan for incorporating IDACI in 3-and-4-year-old rates

For the 2027 to 2028 financial year, we are proposing to update the ANF in the 3- and 4-year-old formula by adding IDACI data as an additional measure for deprivation. This would be alongside the existing deprivation proxy, which is based on the proportion of children eligible for targeted free school meals (children from households in receipt of Universal Credit with annual household earnings of £7,400 or less) in nursery and primary schools. Currently, the deprivation factor accounts for 8% weighting within the formula and is entirely based on the Free School Meals (FSM) proxy. We propose to retain the overall 8% weighting but split it equally between the two measures: 4% would

continue to be based on the FSM proxy, and the remaining 4% would be based on IDACI data.

In 2023, DfE consulted on the use of IDACI in the formulae for 2-year-olds and under-2s, indicating that we would consider extending its use to the 3- and 4-year-old formula in future years. While FSM provides a good measure of deprivation generally, IDACI is a better measure of area-based deprivation and will tilt more funding towards areas with greater density of deprivation. Incorporating IDACI will ensure the 3-and-4-year-old formula has the same 'basket of measures' approach to measuring levels of deprivation that we use to fund the younger age groups, better recognising that deprivation at both household and geographic level can influence child outcomes.

In making this change, we propose to apply the same methodology that is currently used in the 2-year-old and under-2 formulae. Full details of this approach are set out in the 2026–27 early years funding technical note. To support understanding of the impact of this change, alongside planned data updates, we have published illustrative impact ranges to show how local authority funding rates would be affected. These ranges are illustrative and are shown against 2026 to 2027 published rates; hourly funding rates for 2027 to 2028 will be produced in the usual way in the autumn.

Do you agree that IDACI should be introduced as a proxy for deprivation, alongside free school meals, in the 3- and 4-year-old formula, using this 'basket of measures' approach to capture both household and area-based dimensions of deprivation?

Plan for funding rates in 2027 to 2028

Our planned updates to the data used in the EYNFF, together with the incorporation of IDACI data for the 3- and 4-year-old formula will result in revised funding levels across the country as allocations become more closely aligned with current patterns of need. However, without transitional protections, these data changes will result in significant rate changes for some local authorities.

Modelling based on 2026 to 2027 funding rates shows that some local authorities could see increases of more than 9%, while others could face reduction of up to 12%. Around 30 local authorities would see rate decreases of more than 3%.[9] While we want local authorities and providers to benefit from funding increases driven by updated data as quickly as possible, we do not think reductions of this scale would be manageable for the local authorities affected.

[9] These figures are based on illustrative modelling using 2026 to 2027 2-year-old funding rates

To support this change, we expect to introduce transitional protections for local authorities in 2027 to 2028. Historically, we have smoothed local authorities' transition to formula driven rates using a 'loss cap' which limits the year-on-year decrease in a local authority's hourly funding rate. To fund this protection, we previously applied a gains cap, which sets a maximum percentage increase that a local authorities' rate can see against the previous year. For 2026 to 2027, to fund the year-to-year protection, we replaced the gains cap with a small top-slice applied to every local authority rate. This spreads out the cost between all local authorities, rather than a smaller number of local authorities who otherwise would see the largest increases.

For 3- and 4-year-old funding rates, we also apply a minimum funding floor (MFF) for the lowest funded local authorities. The MFF provides a minimum cash value below which no local authorities' rate can fall and is funded by applying a small top-slice to every local authority's rate. There is no change planned to the presence of a MFF on the 3-and-4-year-old rates for 2027 to 28.

There is currently no equivalent MFF for the 2-year-old and under-2 funding rates. Following the 2023 early years funding consultation, all local authorities were given their formula driven rates for 2-year-olds and under-2s for financial year 2024 to 2025 and since then we have only applied year-to-year protections to support changes between financial years. Following the proposed data updates, we are also exploring if there is a case to introduce a minimum funding floor for 2-year-old and under 2s funding rates to support funding levels in the lowest funded local authorities.

Alongside this consultation document, we have published the illustrative impacts of planned data changes on local authority hourly funding rates. These illustrative funding rates have been produced by recalculating the 2026 to 2027 EYNFF and show what each local authority's 2026 to 2027 rate would have been if they had been produced following the proposed updates. The ranges published are illustrative only and give an early indication of how the data updates in the EYNFF for 2027 to 2028 could impact funding rates for local authorities, before transitional protections are applied. As such, they do not include any assumptions about future funding levels. We will confirm final 2027 to 2028 funding rates in autumn 2026, following this consultation and using the most up to date data available.

For 2027 to 2028, do you agree we should implement transitional protections for local authorities, softening the level of year-on-year reduction a local authority can see?

How best do you think we could smooth local authorities' transition to formula driven rates in a way that protects operational delivery but ensures that authorities are funded in line with the latest available data?

Do you think there would be value in having a minimum funding floor (MFF) for the 2-year-old and under-2 funding rates?

Plan for ongoing improvement and future changes to the EYNFF

The role of the EYNFF is to ensure that early years funding is distributed in a way that is fair and transparent and, crucially, in a way that supports the best start in life for every child. We've made clear in Giving every child the best start in life that we want to hardwire funding arrangements so that they drive the best outcomes for all children, but especially those with additional needs. That is why we will keep the EYNFF under review as the early years entitlements embed and as proposed SEND reforms roll-out; continuing to test whether the ACA and the ANF, and their internal weightings, are driving funding where it is needed most, and how the changes to the structure and underpinning data in the formulae can go further to support early years providers to deliver.

We will continue to test where improvements can be made to the structure and underpinning data of the ACA so that it best reflects the variation of costs in early years. We have understood the sector's concerns about the how far the current ACA reflects differences in sector workforce costs, especially where a significant portion of the sector are paid at the National Living Wage. Ahead of this consultation, we have therefore conducted a thorough test of our current approach to the ACA, testing its 'fit' with data in the provider survey, HMRC earnings data, Annual Survey of Hours and Earnings (ASHE) data along with supporting information from a sample of providers. So far, we have not found evidence to support a change in either the ACA weightings or underpinning proxies. Given the sensitivity of local authority level rates to ACA, for 2027 to 2028 we intend to update for latest data but make no other immediate changes.

We will undertake a more detailed survey of provider costs and ability to raise revenue outside of government funding ahead of 2028 to 2029 to inform future formula design.

Are there any improvements you would suggest to how the national funding formulae reflects different levels of additional need and cost variation, and are there any other changes you would like to see?

Local changes

Case for change

The existing early years funding arrangements have evolved over time and now exhibit significant variation and complexity. Concerns have been raised about inconsistencies in how funding is allocated and distributed to providers, as well as the extent to which funding reaches providers despite the existence of the current pass-through policy. In particular, we know there are concerns about the disparities between local authority funding rates and the rates childcare providers receive. While variation at local level can be useful in adapting provision and incentives for local need and populations, the use of

supplements is currently very varied with no evidence of whether different approaches effectively address local provider or parental need.

Local authorities are responsible for administering the funding government provides for early years entitlements for children aged 9 months to 4 years, distributing it to providers using locally determined funding formula.

Under current arrangements:

- Local authorities must pass through the overwhelming majority (at least 97%) of funding to childcare providers, retaining up to 3% for central services;
- For each early years entitlement, on top of paying the same base rate for childcare providers, local authorities may allocate up to 12% of provider funding through five permissible supplements, including a mandatory deprivation supplement for 3-and-4-year-olds;
- They may hold contingency funding to manage fluctuations in take-up levels during the year. Regulations prevent local authorities from redistributing unused early years contingency funding within the financial year meaning unspent early years block funding at year-end is utilised to offset wider Dedicated Schools Grant (DSG) pressures;
- The overall system can be difficult for providers and stakeholders to understand.

There is concern amongst the sector that the current system lacks transparency and consistency. The way the system is designed means that there is often a gap between the hourly funding rates published by DfE and the amounts ultimately received by providers.

One of the main concerns is the variation in the proportion of funding retained by local authorities for central services. Although local authorities are required to pass-through at least 97% of funding to providers, providers often perceive these retained amounts as reducing the funding available to them. The level of central spend varies between local authorities due to historical decisions and different local approaches. For example, planned budget data from local authorities' Section 251[10] returns for 2025 to 2026 shows that, while some local authorities retain only a small amount for central services, others retain the maximum permitted amount each year.

In addition, the methodology used to calculate the pass-through rate is technically complex and can be difficult for providers and sector representatives to understand. As a result, it can be difficult for providers to understand why there is a gap between the

[10] Under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 LAs are required to submit information about expenditure about education and children's social services functions.

funding their local authority receives from the government and the funding that ultimately reaches them.

Plan for changes to local funding rules

We are proposing changes to increase consistency and reduce variation across local areas. This will help address the postcode lottery experienced by some providers and families, ensuring more equitable access to support while maximising the value and impact of available funding.

From the financial year 2027 to 2028, we propose:

- allowing local authorities to redistribute unused contingency funding to providers during the financial year

From the financial year 2028 to 2029 or beyond, we propose:

- updating the categories and reducing the number of permissible local funding supplements
- further changes to supplements including introduction of an inclusion supplement
- beginning to separate funding for local authority central services from entitlements funding allocated to providers

Plan for redistributing unused contingency funding

Funding for the early years entitlements is provided to local authorities through the early years block of the DSG. Entitlements funding is demand-led, so it is appropriate and necessary that local authorities retain a level of contingency funding. This allows local authorities to manage in-term increases in the number of children taking up the entitlements, and to address timing and cashflow differences. As the system has transitioned to more responsive termly funding from DfE, we expect local authorities to need to rely less on contingency funding over time. However, there will continue to be a legitimate role for contingency funding to enable local authorities to manage in-term variation and uncertainty.

While the DSG is ringfenced overall, individual funding blocks are not. This means that early years underspends at year-end must be used to offset wider DSG deficits where local authorities carry them, and current regulations do not permit local authorities to provide top-ups or one-off increases to provider rates where underspends on contingency funding emerge. We recognise that this has been an area of concern for the sector.

To better support local authorities in ensuring that early years funding is able to reach providers and be spent as intended, we are proposing changes to the Schools and Early Years Finance (England) Regulations 2026 to make it possible for local authorities

to distribute underspent contingency funding if or when it emerges over the course of the financial year.

Where a local authority identifies an underspend in early years contingency funding, any redistribution should follow a consistent and transparent approach that aligns with their local funding formulae. For example, local authorities could distribute unspent contingency funding within the financial year by applying a flat-rate percentage increase to each provider in their area, in the form of a one-off payment. This approach ensures that all providers are treated fairly and equitably. Taking this approach also helps ensure that any in-year redistribution supports the existing funding framework rather than creating an alternative approach that may undermine their local funding formulae.

Do you agree with the proposal to make it possible for local authorities to distribute emerging early years contingency funding underspends to providers during the year?

Plan for updating local supplements

Under current arrangements, local authorities can allocate funding through supplements under five permissible categories:

- Deprivation (mandatory for 3-and-4-year-olds)
- Quality
- Flexibility
- Rurality/sparsity
- English as an additional language

The use of supplements is low, with only £162 million being distributed via supplements in 2025 to 26, which represents less than 2% of the total early years entitlements budget. Half of this amount was distributed through the 3-and-4-year-old deprivation supplement, the only supplement currently mandated in regulations, with significant variation between local authorities. The majority of local authorities only use the deprivation supplement, and local authorities who use more categories tend to only use deprivation plus one other category.

Feedback from local authorities and providers suggests the system is overly complex and it's not clear how much supplements add value. In order to update the system and ensure that it can be used to direct funding to reflect policy priorities and to where it is most needed, we propose changing from the current five categories to the following three from financial year 2028 to 2029:

- Deprivation – retain the existing category
- Inclusion – a new category to distribute upfront SEND funding set out in section titled 'Plan for reforming Early Years SEND funding'.

- Site specific – replacing the existing Quality, Rurality and Flexibility supplements and which covers local specific factors such as workforce or rurality.

We propose that the English as an Additional Language (EAL) supplement, historically the least used, will be removed as a separate category. Local authorities will still be able to allocate funding for EAL support through the new inclusion supplement, should they choose to do so.

The site-specific supplement allows funding to be distributed for workforce factors. To go further, as part of the forthcoming early education and childcare review, we are considering how best to support settings to address workforce challenges, upskill staff and attract highly qualified educators to the sector.

We will continue to keep supplements under review. At present, we are not proposing to change the 12% cap or to introduce a minimum percentage of funding to be routed through supplements but we will consider if this is necessary for financial year 2028 to 2029 or later to support delivery of SEND or other policy proposals.

Although there will be no changes to categories for 2027 to 2028, we would encourage local authorities to consider the upcoming changes when planning their 2027 to 2028 local funding formulae.

Do you agree that the permissible categories for supplements should be reduced from five to three from financial year 2028 to 2029?

Do you agree that Deprivation, Site Specific, and Inclusion are the right categories to have from financial year 2028 to 2029?

Do you think that there are any delivery issues to consider with the proposed new supplements in 2028 to 2029?

Plan for funding local authority central services separately from entitlements funding

Local authorities carry out a range of important centrally commissioned activities, including administering entitlements, meeting their sufficiency duty, and providing services in kind to providers, particularly for children with SEND. These functions are essential uses of the funding that government provides for the early years. However, the current approach where these costs are funded from within early years entitlement funding reduces transparency and can be a cause of friction between providers and local authorities.

Separating funding for central services from provider funding would make the system clearer and allow the funding received by providers to more closely reflect the rates published by the DfE.

Early years central services activities are currently funded through the early years block of the DSG. Going forward, we expect that funding for these services will continue to be met from within the overall early years DSG budget.

We propose an approach, subject to consultation, whereby funding for local authority central services is separated from provider funding and funded via a separate standalone grant. This would establish a more transparent national approach to funding central activities.

We recognise that these proposals could significantly affect how local authorities receive and manage their funding. It is therefore important to take time to fully understand which activities are currently funded, including how services are supported through the early years budget as well as wider general funds.

We are also aware that some local authorities use central spend to support SEND provision. As such, we want to better understand how existing central expenditure is allocated between SEND and non-SEND activities.

We are consulting on the principle of separating provider-level funding rates from local authority central budgets. We recognise that further work and engagement with local authorities and the wider sector will be needed to develop an implementation plan. As part of our evidence-gathering process, we plan to collect additional information from local authorities to improve our understanding of their central services costs.

Do you agree on the principle of funding central services separately from provider funding through a standalone grant?

Should the government prescribe how the early years central services grant is used? If so, to what extent?

What type of early years central activities should be funded through this grant?

What central services are currently provided by your local authority using this funding?

Changes to funding Ofsted Early Years Register Fees

Case for change

Ofsted (Office for Standards in Education, Children's Services and Skills) regulates and inspects all early years providers on the Early Years Register (EYR). Ofsted is responsible for registering and inspecting early years provision to ensure it meets the standards for learning, development and care for children from birth to five, as set out in the Early Years Foundation Stage (EYFS) statutory framework.

Currently, providers on the EYR pay fees to Ofsted to be registered. Both application fees and annual fees are determined by DfE and set out in the Childcare (Fees) Regulations 2008.

Current fees for early years providers registered on the Early Years Register

Band	Provider category and description	Application fee	Annual fee
Band 1	**Childminders** providing childcare on domestic or non-domestic premises	£35	£35
Band 2	**Sessional (including domestic group providers)** – Early years childcare provision (other than childminding) operating for less than 3 hours per day, less than 5 days per week, or less than 45 weeks per year	£35	£35
-	**Sessional providers subject to the transitional arrangements** - Childcare providers (other than childminders) who automatically transferred on 1 September 2008 from the childcare register under Part 10A of the Children Act 1989 to one of the registers under Part 3 of the 2006 Act and operate between 3 and 4 hours per day.	-	£50
Band 3	**Full day care (including domestic group providers)** - Early years childcare provision (other than childminding) operating for 3 hours or more per day, 5 days or more per week, and 45 weeks or more per year	£220	£220

Source data: Childminders and childcare providers: register with Ofsted - Fees - Guidance - GOV.UK

To note, childminders (with and without domestic premises) and providers of 'childcare on domestic premises' can alternatively choose to register with a childminder agency.

The fees paid to Ofsted by providers on the EYR have not changed since September 2010, despite significant increases in costs of inspection activity. Government has been subsidising the difference via a range of sources, most recently through funding set out in the Best Start in Life strategy to allow for increases in inspection frequency. We believe it is important to now consider a more sustainable model.

Plan for changes to funding Ofsted Early Years Register Fees

To simplify funding flows, we want to test the principle of removing or reducing annual EYR fees for all providers and instead funding some of Ofsted's EYR costs via a top-slice of some of the budget which is used to fund the entitlements programme within the DSG. This proposed top-slice would have a minimal impact on national average entitlement rates. We expect this would only reduce the national average local authority rates by at maximum a few pence. This fractional amount would be at least partially offset by the fact providers no longer have to pay EYR fees.

Given the proportion of income now coming from government funding, this would simplify the system and stop or reduce the amount of funding being passed to a provider only for them to use it to pay an annual fee to Ofsted. Initial application fees for providers wishing to join the EYR would remain payable by providers in the same way as at present. Similarly, we are not proposing changes to fees for providers on the later years and voluntary registers maintained by Ofsted at this time – however, we will consider the impact of this proposed change for providers on multiple registers. Fees charged by Childminder Agencies are not set by government and so would also not be affected.

Would you support some of Ofsted's Early Years Register costs being funded through a top-slice of early years entitlement funding, in order to reduce or remove individual provider Early Years Register annual fees?

Equality impact assessment

The Public Sector Equality Duty requires public authorities to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Public authorities include the Department for Education, local authorities, governing bodies.

The relevant protected characteristics for this purpose are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual Orientation

The proposals included in this consultation intend to ensure the early years funding system distributes funding to those who need it most, in a simple and efficient way.

Through our proposals to reform funding to support children with additional needs and SEND in early years, we are aiming to improve inclusion across settings and make it easier and quicker for providers to access targeted funding to meet children's needs. Children with SEND should benefit from more inclusive practices and quicker access to support. However, the impact on children with SEND will also be dependent upon decisions on how funding is distributed. Whilst overall we expect the impact on children with SEND to be positive, changes at local level will also be determined by future local authority budgeting decisions.

By also targeting funding towards disadvantage, this will have further positive impacts on those with SEND as research shows that children with SEND are more likely to come from low-income households.

We recognise that system level reform of this scale can place transitional pressures on parts of the education system as changes are introduced. For instance, whilst our reforms aim to introduce a quicker route to securing targeted funding for children with

SEND, in the short term this may increase workload as settings and local authorities have to adapt to new processes. We will seek to mitigate these impacts through engaging closely with the sector when we design our new framework for how funding should be distributed.

There would also be a positive impact on the grounds of race and religion as ethnic minority households, particularly Pakistani and Bangladeshi households, are more likely to have low incomes than white households.

There could be some impact on the grounds of sex, where positive impacts on working parents will be greater for lone parents, 88% of whom are female. For the other protected characteristics, we anticipate that there will be a neutral impact.

At a local level, the proposals could result in positive and negative changes to funding rates, which could have differing impacts on people with protected characteristics to the overall picture.

Do you have any comments about the potential impact, both positive and negative, of our proposals on individuals on the basis of their protected characteristics? Where any negative impacts have been identified, do you know how these might be mitigated?

Are there any other comments that you would like to make about our proposals set out in this consultation?

Annex: Consultation questions

1. What is your name?
2. What is your email address?
3. Are you responding as an individual or on behalf of an organisation (If responding on behalf of an organisation please specify name)?
4. What local authority area are you based in?
5. Would you like us to keep your responses confidential? If yes, please specify the reasons for this.

   Confidentiality

   Information provided in response to this consultation, including personal data, may be subject to publication or disclosure under the Freedom of Information Act 2000, the Data Protection Act 2018, or the Environmental Information Regulations 2004. If you want all, or any part, of a response to be treated as confidential please explain why you consider it to be confidential. If a request for disclosure of the information you have provided is received, your explanation about why you consider it confidential will be taken into account, but no assurance can be given that confidentiality can be maintained. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

   Privacy

   The personal data (name and address and any other identifying material) that you provide in response to this consultation is processed by the Department for Education as a data controller in accordance with the UK GDPR and Data Protection Act 2018, and your personal information will only be used for the purposes of this consultation. The Department for Education relies upon the lawful basis of article 6 (1) (e) of the UK GDPR which allows us to process personal data when this is necessary for conducting consultations as part of our function. Your information will not be shared with third parties unless the law allows or requires it. The personal information will be retained for a period of 10 years following the closure of the consultation period, after which it will be securely destroyed. See the Privacy information: members of the public *for more details.*

   You can read more about what the Department for Education does when we ask for and hold your personal information in our personal information charter, which can be found here: Personal information charter - Department for Education - GOV.UK (www.gov.uk)

6. Do you agree that local authorities should pass on more of the EL2 funding rate to providers to support disadvantaged children and their families?
7. Do you agree with the Department setting out more clearly how the deprivation supplement should be used, setting a minimum level and clearer purpose to this funding so it more directly supports disadvantaged children?

8. How might this funding be best used to support access for disadvantaged children to access early education childcare?
9. How can providers best be involved and play an active role in the development and delivery of the Best Start Local plan and Best Start Family Hub network?
10. What challenges do you think providers and local partners will need to overcome to ensure high quality and consistent advice to families about what they can do to support their child's development at home? How can the DfE and local authorities support providers in delivering this?
11. When distributing upfront inclusion funding (currently IEYF), should local authorities ensure that all providers receive funding? How should providers use this funding where sums of money are small?
12. Should local authorities distribute this funding through a mandatory inclusion supplement?
13. How could local authorities distribute upfront inclusion funding in a way that targets local SEND need effectively?
14. Do you agree we should replace SENIF and DAF with a new targeted funding stream for providers to access?
15. Do you agree that the new targeted funding stream should be distributed to local authorities using a national formula? If so, what indicators or data could we use to allocate this?
16. Do you have any views on what a national framework for how this funding should be administered could include? Are there any existing local authority practices for administering SENIF you think work particularly well or not well?
17. Do you agree that, as an interim measure, we should recommend a minimum spend of 0.75% of each local authority's early years block on SENIF?
18. What accountability arrangements should be in place to ensure inclusion and SEND funding is improving inclusive practice in settings?
19. Do you agree that IDACI should be introduced as a proxy for deprivation, alongside free school meals, in the 3- and 4-year-old formula, using this 'basket of measures' approach to capture both household and area-based dimensions of deprivation?
20. For 2027 to 20-28, do you agree we should implement transitional protections for local authorities, softening the level of year-on-year reduction a local authority can see?
21. How best do you think we could smooth local authorities' transition to formula driven rates, in a way that protects operational delivery, but ensures that authorities are funded in line with the latest available data?
22. Do you think there would be value in having a minimum funding floor (MFF) for the 2-year-old and under-2 funding rates?
23. Are there any improvements you would suggest to how the national funding formulae reflects different levels of additional need and cost variation, and are there any other changes you would like to see?

24. Do you agree with the proposal to make it possible for local authorities to distribute emerging early years contingency funding underspends to providers during the year?
25. Do you agree that the permissible categories for supplements should be reduced from five to three from financial year 2028 to 2029?
26. Do you agree that Deprivation, Site Specific, and Inclusion are the right categories to have from financial year 2028 to 2029?
27. Do you think that there are any delivery issues to consider with the proposed new supplements in 2028 to 2029?
28. Do you agree on the principle of funding central services separately from provider funding through a standalone grant?
29. Should the government prescribe how the early years central services grant is used? If so, to what extent?
30. What type of early years central activities should be funded through this grant?
31. What central services are currently provided by your local authority using this funding?
32. Would you support some of Ofsted's Early Years Register costs being funded through a top-slice of early years entitlement funding, in order to reduce or remove individual provider Early Years Register annual fees?
33. Do you have any comments about the potential impact, both positive and negative, of our proposals on individuals on the basis of their protected characteristics? Where any negative impacts have been identified, do you know how these might be mitigated?
34. Are there any other comments that you would like to make about our proposals set out in this consultation?

Department for Education

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