

Early Years Funding: Proposed changes to the entitlements funding system.

This is an overview of the Government's consultation that runs until 14 September 2026.

The full consultation document can be accessed [here](#).

The proposals in the Early Years Funding Consultation are aimed at improving access to childcare for families on low incomes, improving support for children with SEND in the early years and driving great efficiency and simplicity in the way funding is allocated.

The opening questions are around your details, confidentiality and your LA area.

Key Proposal 1 – Removing Barriers for Low Income Households

Access barriers remain for disadvantaged children – these children and families stand to benefit the most in education and labour market outcomes

Relevant Pages of Consultation Document: 9 – 11

Key Proposals	Consultation Questions
Pasing on more funding from the Early Learning for 2's offer for providers to help these children access their entitlement	Do you agree that LAs should pass on more of the EL2 funding rate to provides to support disadvantaged children and their families?
Clearly purpose the deprivation supplement (2028-29 onwards) and set a minimum level to support access for disadvantaged 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?
Consider potential uses of funding: • Meeting additional costs involved in supporting families to access entitlements • Support with food costs • Support with transport, flexibility or other access costs	How might this funding be best used to support access for disadvantaged children to access early education and childcare?

Key Proposal 2 – Expectations for delivering Best Start in Life

Achieving the BSiL ambition requires a joined-up local system of relevant partners working together to support children and families

Relevant Pages of Consultation Document: 11 – 13

Key Proposals	Consultation Questions
To set out in statutory guidance how LAs and providers receiving entitlements funding can work together to support BSiL priorities: • Partnership Working – LA's and providers developing and delivering BSiL plans • Integrated family support – Providers working with Best Start Family Hubs and local Best Start Networks • Supporting children and families – working in partnership with families, aligning practice and advice with local BSiL plans and national frameworks and guidance	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 LAs support providers in delivering this?

Key Proposal 3 – SEND

Reform is needed to improve inclusion and ensure more consistent SEND support (from 2028-29)

Relevant Pages of Consultation Document: 13 – 21

Key Proposals	Consultation Questions
Upfront Inclusion Funding Proposals: - Reach of Inclusion Early Years Fund (IEYF) - Currently mainly supports larger providers, meaning smaller settings are less likely to benefit. - Proposal to explore whether IEYF should be available to all providers - Distributing Inclusion Funding - Should be built into core funding rates and distributed through a transparent inclusion supplement with local flexibility to target SEND need	When distributing upfront inclusion funding (currently IEYF), should LAs ensure that all providers receive funding? How should providers use this funding where sums of money are small? Should LAs distribute this funding through a mandatory inclusion supplement? How could LAs distribute upfront inclusion funding in a way that targets local SEND need effectively?
Targeted Funding Proposals: - Funding Structure - Create a single national targeted funding stream by combining SENIF and DAF, making support simpler and more consistent for parent and providers - Recommend LAs spend 0.75% of their EY Block Funding on SENIF from 2027-28 - Access to Funding - Introduce greater consistency in how providers apply for and receive funding, drawing on best practice across LAs	Do you agree that DfE 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 LAs using a national formula? If so, what indicators or data could be used to allocate this funding? Do you have any views on what a national framework for how this funding should be administered could include? Are there any existing LA practices for administering SENIF you think work particularly well or not well? Do you agree that, as an interim measure, the DfE should recommend a minimum spend of 0.75% of each LAs early years block on SENIF?
Accountability Proposals: - Strengthening Accountability: - Setting requirements and conditions on the use of and continued access to inclusion funding	What accountability arrangements should be in place to ensure inclusion and SEND Funding is improving inclusive practice in settings?

Key Proposal 4 – National Distribution: Changes to the EY National Funding Formula

Funding levels to reflect the relative costs and needs across the country so support is targeted where it is needed most, using workforce cost data used in the Area Cost Adjustment and Income Deprivation Affecting Children Index (IDACI) in the Additional Needs Factor

Relevant Pages of Consultation Document: 22 – 26

Key Proposals	Consultation Questions
To incorporate IDACI to the 3–4-year-old formula alongside Free School Meals as part of the deprivation proxy to better recognise household and area-based deprivation, targeting funding towards areas with greater concentrations of disadvantage.	Do you agree that IDACI should be introduced alongside Free School Meals data in the 3- and 4-year-old formula to capture both household and area-based dimensions of deprivation?

To introduce transitional protections from 2027-28 to support LAs manage the transition to new funding rates in a way that is manageable and supports operational delivery.	Do you agree that transitional protections should be introduced in 2027-28 to soften the level of year-on-year reductions for LAs?
	How best do you think DfE could smooth LAs transition to formula-driven rates, in a way that protects operational delivery, but ensures LAs are funded in line with the latest data?
	Do you think there would be value in having a minimum funding floor for 2-year-old and under 2's funding rates?
	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 would you like to see?

Key Proposal 5 – Local Changes

To address the current funding arrangements which are complex, inconsistent and vary significantly between LAs.

Relevant Pages of Consultation Document: 26 – 31

Key Proposals	Consultation Questions
From 2027-28 to allow LAs to redistribute unused early years contingency funding to providers during the financial year.	Do you agree with the proposal to make it possible for LAs to redistribute emerging contingency underspends to providers during the year?
From 2028-29 or beyond: - Simplify supplements to 3 categories: - Deprivation (retained) - Inclusion (new, including SEND support) - Site Specific (replacing quality, flexibility and rurality categories) - Remove English as an Additional Language as a standalone supplement category, with support potentially funded through inclusion - Separate LA central services funding from provider entitlement funding through a standalone grant to improve transparency	Do you agree that the permissible categories for supplements should be reduced from 5 to 3?
	Do you agree that Deprivation, Inclusion and Site Specific the right categories to have from financial year 2028-29?
	Do you think there any delivery issues to consider with the proposed new supplements in 2028-29?
	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 LA using this funding?

Key Proposal 6 – Early Years Register Fees

Early Years Register fees paid to Ofsted by providers haven't changed since 2010 despite significant increase in inspection activity. The aim is to consider a more sustainable model.

Relevant Pages of Consultation Document: 31 - 33

Key Proposals	Consultation Questions
Testing the principle of remove or reducing annual EYR fees for all providers and funding some of these costs via a top slice of some of the budget used to fund the entitlements programme. The top slice is expected to have minimal impact on national average entitlement rates.	Would you support some of Ofsted's EYR costs being funded through a top slice of early years entitlements funding, in order to reduce or remove individual provider EYR annual fees?

There is a further question on the potential impact of these proposals on individuals based on their protected characteristics. Please refer to the Equality Impact Assessment on pages 34 - 35 of the consultation document for more information.

There is also an opportunity to provide any further comments about the proposals set out in the consultation.