community | Education & Early Years

Official Response
to the Government Consultation

EARLY YEARS FUNDING: PROPOSED CHANGES TO THE ENTITLEMENTS FUNDING SYSTEM



SEPTEMBER 2026

About Community Union

This is an official response on behalf of members of Community Union

Community is a general Trade Union affiliated to the TUC. We provide legal and casework support to our members and regularly engage with them in determining our response to policy proposals.

Community's Education and Early Years sector represent thousands of serving teachers and support staff, headteachers, lecturers, nursery and early years workers, nannies and other education professionals in schools and academies, nurseries and early years settings, colleges, and universities across the whole of the UK.

This response has been prepared by the Education and Early Years team and draws on our previous official responses, for example those submitted in 2023 on Early Years funding: extension of the entitlements and the Early Years Foundation Stage, in addition we draw on our Early Years Charter, ongoing member casework, and the research analysis *"Development of an alternative early years funding formula for funded entitlement hours"* commissioned by the Early Education & Childcare Coalition from London Economics.

Community are happy for this response to be published as part of this consultation process once the research and analysis by London Economics has been officially published. Similarly, this Official Response will be published on our website following the close of the consultation period.

The information shared within this response is our public response to the consultation and may be used and quoted as appropriate for the purposes it was gathered, with Community Union acknowledged as the contributor. We would be happy to discuss the comments in this response further, please contact us using the details supplied.

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Introductory Comments

Community is clear that funding reform is vital to the whole of the education sector. Schools, Colleges, and Early Years settings have struggled over the past few years as the cost of living has bitten and continues to bite. Establishment costs have risen, energy costs have skyrocketed and staffing provision is becoming more costly every year. We are repeatedly informed that there is no more funding and that efficiency saving must be found but our members are clear, this is no longer possible. Without further funding the only cost reductions available will affect provision.

Whilst funding reform is vital, it will only be meaningful if it closes the gap between what settings are funded and what it actually costs to deliver safe, high-quality, inclusive provision. Fair pay, workforce recognition, and sustainable staffing for a workforce that remains overwhelmingly female and low paid, is a reasonable ask in any sector, but it must be supported with funding that meets the basic requirements of provision. We need a larger quantum of funding.

In 2024 we launched our Early Years Charter, calling for recognition of early years staff as educators, not babysitters; recognition of the specialised nature of their work; funding that adequately covers the cost of provision; improved wages to support recruitment and retention; and streamlined professional development. Every proposal in this consultation is weighed against those principles.

The analysis of provider cost data produced by London Economics referred to in this official response estimates that the real average hourly cost of delivering the entitlements is £6.43 for three- and four-year-olds, £7.83 for two-year-olds, and £12.06 for children under two. On top of this base cost of current provision, the analysis costs the additional investment needed to deliver safe, inclusive, and properly staffed provision: food provision, workforce pay and professional development, and additional support for children with SEND, EAL needs and those living in deprived areas. Combined, this additional investment is estimated at up to £2.74 per hour for three and four-year-olds, £2.91 for two-year-olds, and £3.51 for children under two, equivalent to an estimated £3.5 billion a year across England. This is the evidence base against which we assess every proposal in this consultation, and we return to it throughout this response.

This response was submitted via email to:

EYFunding.Consultation@education.gov.uk

Development of an alternative early years funding formula for funded entitlement hours by London Economics on behalf of the Early Education & Childcare Coalition, was published on 24 September 2026. And can be found on their website: https://londoneconomics.co.uk/blog/publication/developing-an-alternative-early-years-funding-formula/

Consultation Questions

Meeting additional need in Early Years

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?

In principle Community agrees that LAs should pass on more of the EL2 funding rate. Community responded to the previous government consultation on Early Years funding and the extension of entitlements to state that the key issue for any of these diverse funding streams is that the money must actually meet the cost of provision, otherwise settings that take on disadvantaged children remain financially exposed regardless of how funding is routed. This remains our position. Analysis by London Economics' on behalf of the Early Education and Childcare Coalition, of which we are a member, puts a figure on part of this gap: properly resourcing food provision alone, a basic cost-of-living pressure for low-income families, is estimated to require £1.08 per hour, or £1.278 billion a year nationally, which is currently not reliably funded. Community would support passing more EL2 funding to providers only if it is genuinely additional funding reaching this kind of unmet cost, not a reallocation that leaves local authorities unable to fund outreach to families who are eligible but not yet claiming (see Q8).

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?

Deprivation funding attached to area-based measures can miss the children who need it most. Where settings in deprived neighbourhoods have closed, as is increasingly occurring across the country, families and children seek to move to access provision in neighbouring, more affluent areas. Unfortunately, due to geography, the setting caring for them may then be ineligible for the deprivation supplement despite the makeup of its actual cohort. London Economics' modelling shows just how unevenly deprivation need is currently distributed: the estimated required deprivation uplift ranges from £0.00 to £2.73 per hour for under-twos depending on local authority, but averages at £0.64. A national minimum and clearer purpose is welcome, but we would suggest The Department use this opportunity to ensure the supplement can follow the child, not just the postcode of the setting.

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

Consistent with our previous responses, Community would prioritise:

- Properly funded food provision
  London Economics estimates this at £1.08 per hour (£1.278 billion annually), reflecting real meal and snack costs, currently a significant unfunded pressure on both families and providers.
- A move towards per-child targeting
  Rather than area-based targeting move towards child-based targeting wherever practicable. This mirrors the model already used for EYPP and DAF and could be more likely to ensure that funding reaches the children who need it rather than being determined by geography.
- Non-application-based, automatic access wherever possible. We argued previously that Pupil Premium-style funding should be automatically triggered by eligibility data

rather than requiring parents to make financial declarations to setting staff, which can be embarrassing and socially degrading for families.

- Funded staff time for outreach and family support work
  Building relationships with families is a vital part of the work of any setting. This skilled, relationship-based work already being done informally and unpaid by early years staff, and it should be recognised and remunerated as such.
- Specific attention to families who do not know they are eligible for support, including Traveller and transient communities, immigrants and asylum seekers, and mothers and primary carers who may struggle to evidence their financial status once maternity leave has ended. These are all groups we have previously flagged as being at risk of missing out.

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?

Consultation is key. We have previously welcomed local authorities creating sector sub-boards that feed into Schools Forums as a good model for ensuring early years voices are heard in budget and planning decisions and would recommend this approach is extended to Best Start governance. Providers and practitioners need a genuine, resourced role in local governance, to share their valuable insight and to be a part of the planning process, but we would recommend that any such involvement be paid or backfilled. Asking already-stretched staff to take on this role unpaid, on top of contact hours, risks reducing engagement to token attendance by senior leaders alone, downgrading their voice and placing an additional burden our Early Years Charter was launched to address.

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?

There are several challenges which need to be considered and overcome, but the central challenge is capacity, not willingness. Early years staff already provide informal advice as part of daily practice; formalising this as an expectation without additional funded time and training risks widening inequalities between well-resourced settings and small or rural providers and childminders with little to no spare capacity. If this is something which The Department and local authorities wish early years settings to prioritise, Community believe that protected, non-contact time for this work must be funded, with investment in appropriate staff training, particularly building on the existing SEND training programme model. London Economics costs professional development for the existing workforce at £0.38 per hour (£452 million annually), it is likely that a comparable order of investment would be needed to build this new expectation sustainably into practice.

Early Years SEND funding

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?

Community support proper funding for all providers, especially funding to help support those with special needs and disabilities. We support spreading funding to all providers, including childminders and small settings, rather than concentrating it via a minimum threshold. Our long-standing position, as previously shared, in relation to SENIF, is that local authorities have a statutory duty to support children with SEND and their families, and that funding structured around take-up or setting size risks being least available where need is greatest. London Economics' costing of inclusive Ordinary Available Provision, covering SENCo time, parent liaison and support for school transitions, is estimated at £0.12 per hour, or £138 million annually across England. This is intended to make all providers more inclusive, not just those large enough to absorb the administrative overhead of individual applications. Where individual local allocations are small, we would support pooled or cluster-based use, for example shared SENCo time, joint training, or shared equipment across a group of childminders, to ensure the proper funded support is available, rather than funding being withheld.

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

Mandatory supplements are often preferable to discretionary ones, as they remove the risk that inclusion funding might be deprioritised locally. Community suggest that this be paired with genuine ring-fencing, not just a mandatory label, so that funding cannot be absorbed into general central spend.

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

Whilst not perfect, we have consistently argued in support of proxy data such as FSM and DLA, as more accurate reflections of individual need than purely area-based measures like IDACI, because they are attached to the child and family who need them. London Economics' costing of complex needs support, based on DLA/DAF eligibility, finds this varies from £0.01 to £0.09 per hour depending on age group and local authority. This illustrates how thinly and unevenly this support is currently likely to reach children if targeting relies solely on formal eligibility. As we flagged previously, DLA and FSM are typically accessed only once a family has been in a position long enough for eligibility to be established, meaning some children, particularly the very youngest, may not yet be captured, and formal SEND diagnosis is frustratingly rare below school age. This puts at risk the concept of early engagement and intervention and is likely to lead to greater spend in the longer term. We would ask The Department to ensure local distribution methods are not solely reliant on data proxies that structurally under-count the youngest and most recently arrived children, and that practitioner professional judgement continues to have a recognised role.

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

We support simplification. As in our previous responses we call for a single, standardised application process across local authorities, on the basis that this would reduce administrative burden, cut duplication, and allow data to be shared between settings and areas without children falling through the gap as they move between provision. This is especially important for children with additional needs and disabilities and who may be at risk. We would ask The Department to ensure this reform genuinely delivers that single, low-bureaucracy access point, rather than replacing one set of local variation with another.

We remain concerned by any framing of this reform in terms of "financial sustainability" taking precedence over children's needs – as we said previously, the needs of the child must be paramount, not subordinate to a budgetary target.

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?

As already noted, Community support simplification. Multiple, diverse funding streams risk funding failing to reach those who need it most. We support a national, needs-based formula over current local variation, perhaps using FSM and DLA as proposed, alongside IDACI as a supplementary area-based measure – consistent with the 'basket of measures' approach that was proposed in a previous government consultation[1] and which we previously expressed support for in regard to the under-2s formula. As above, we would ask The Department to recognise the limitations of these proxies for the youngest children and those in families not yet captured by administrative data, including Traveller, transient, immigrant and asylum-seeking families who may be entitled to support but unaware of it or unable to navigate the application process.

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?

As previously noted, Community would support a single, standardised national application process, on the basis that it would reduce duplicated data entry, lower the risk of error, and make it easier for information to travel with a child as they move between settings or local authority areas. Members report waits of several months under current arrangements, during which children go without support, a national framework which sets out a maximum turnaround time could address this. However, we would caution against a framework so prescriptive that it excludes children with rare or newly identified needs that don't fit standard criteria. It is important that national consistency does not come at the cost of flexibility for genuinely individual circumstances.

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?

Community support this as a floor, not a ceiling, but we are concerned that a recommendation, rather than a requirement, is likely to have limited effect on the lowest-spending authorities that it targets. Given the statutory duty local authorities already hold to support children with SEND regardless of entitlement take-up, we believe The Department

[1] Community's official response to the government consultation, *Early Years funding: extension of the entitlements* https://community-tu.org/wp-content/uploads/2023/09/EY-Funding-Extension-of-entitlements-Official-Response-Community-Union.pdf

should closely monitor compliance and be prepared to strengthen this into a firmer expectation if a recommendation proves insufficient.

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

Accountability should always be light touch in the first instance, recognising that most staff are working hard to meet the needs to children. Arrangements which focus on outcomes and workforce capability, for example protected SENCo time, training uptake, and timeliness of support, rather than just reporting spend from a spreadsheet are likely to be the most reliable. Community would caution against any form of conditionality that risks withdrawing funding from struggling settings, since this would disproportionately affect the small, under-resourced providers, often serving the most deprived communities, that our members tell us already struggle most to access and administer SEND funding. Any conditionality should come paired with improvement support, not sanction alone.

Increasing the overall effectiveness of the Early Years entitlements budget

National Changes

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?

As previously noted, Community supported this same 'basket of measures' approach when The Department consulted on it for the under-2s formula, and it is right to extend it to the 3-and-4-year-old formula for consistency. However, we repeat our previously shared concern: a significant number of settings in deprived neighbourhoods have closed, meaning families now travel to access provision elsewhere. This means the location of a setting does not always reflect the deprivation profile of the children it actually cares for. IDACI, an area-based measure tied to where a setting sits, will not fully correct for this. We would ask The Department to consider how a genuinely child-linked measure could complement IDACI so that funding follows the child, not just the postcode of the setting.

20. 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?

It is prudent to implement transitional protections to soften the year-on-year reductions. A reduction of up to 12% in a single year, which The Department's own modelling shows is possible, would be destabilising for providers and could trigger redundancies or closures with very little notice – precisely the kind of instability that undermines both quality of provision and the workforce's job security. This must be avoided.

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?

It is critical that any transition maintains provision and that no settings lose out, but it is also important that local authority staff are not put at risk as this could impact on wider service provision. It is possible that a loss cap funded by a small top-slice spread across all local authorities would be effective at providing this protection. A system which caps the gains of the highest-need areas would penalise the very areas the data update is intended to better support. Community recommend a multi-year protection which tapers, rather than a single-year cliff-edge, to avoid a sudden funding drop the following year.

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?

The absence of a minimum funding floor for the 2-year-old and under-2 funding rates is inconsistent with the protection already in place for 3-and-4-year-old rates and leaves the lowest-funded areas without a backstop. This matters most for the youngest children: London Economics' analysis puts the real hourly cost of provision for under-twos at £12.06,

nearly double the £6.43 estimated for three and four-year-olds, so this is the age group most exposed if a local authority's funding rate falls without a floor.

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?

Our single biggest concern around the national funding formula is that the current level of funding does not adequately cover the cost of provision. In previous responses we have expressed the same thing: the level of funding provided to settings does not adequately cover the real cost of provision. We can now put a figure on that gap. The alternative funding formula developed by London Economics for the Early Education and Childcare Coalition,[2] estimates the real average hourly cost of current provision at £6.43 for three- and four-year-olds, £7.83 for two-year-olds, and £12.06 for children under two. On top of this, the analysis costs the additional investment needed to deliver safe, inclusive, properly staffed provision, including:

- Real Living Wage (£13.45/hour): £0.39–£0.73 per entitlement hour depending on age group, £569 million annually
- Increased employer pension contributions (3% to 7%): £0.19–£0.36 per hour, £281 million annually
- A Level 6 qualified member of staff in every setting: £0.04–£0.07 per hour, £54 million annually
- Professional development and training: £0.38 per hour, £452 million annually

Combined with food, SEND, EAL and deprivation costs, this amounts to an estimated £3.5 billion a year of additional investment needed across England simply to bring provision up to a properly staffed, inclusive standard. This is on top of the underlying cost-of-provision gap.

The Department states in this consultation document that it tested the Area Cost Adjustment (ACA) against the Annual Survey of Hours and Earnings (ASHE) and HMRC earnings data and found no evidence to support a change. We would challenge that conclusion. Testing the ACA against current wages is measuring pay that is and has been artificially suppressed by historic inadequate funding rates, rather than the necessary pay needed to recruit and retain a stable, qualified workforce. Analysis from London Economics shows what that gap actually costs across the country, noting the significant regional differences that currently exist. We would respectfully ask The Department to test the ACA against the cost of delivering statutory ratios with a fully qualified, fairly paid workforce, using this analysis as a starting point, rather than using wages that are a symptom of the underfunding this consultation is trying to address.

We would also ask that the promised 2028-29 provider cost and revenue survey explicitly include workforce pay and recruitment/retention data, and that Community and other trade unions representing the workforce are consulted on its design.

[2] The alternative funding formula is explained in *Development of an alternative early years funding formula for funded entitlement hours* by London Economics for the Early Education and Childcare Coalition, sponsored by UNISON and Community, due to be published in Autumn 2026.

Local Changes

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?

It is difficult to justify a rule that channels unspent early years money towards offsetting wider DSG deficits rather than reaching the providers and children it was intended for. Community support the proposed flat-rate, transparent distribution approach as the fairest default.

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

As previously noted, we support simplification however we have concerns about the proposed removal of the English as an Additional Language supplement as a distinct category. London Economics estimates the cost of EAL support alone at £0.10–£0.11 per hour on average (up to £0.36 in some local authorities), £128 million annually. This is a distinct and highly variable cost that risks being lost if folded into a broader discretionary inclusion supplement, particularly in areas with competing SEND pressures.

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

We support Deprivation and Inclusion as core categories. There needs to be greater clarity around the 'Site Specific' category. In particular, understanding how it could be used to reflect workforce sustainability costs, including the funding of the quality supplement's current purpose of supporting workforce qualifications and CPD release time, which we specifically welcomed in our previous responses as vital to sustaining the profession.

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

Whilst we support the simplification of funding, the main risk with the proposed new supplements is that folding five categories into three, without any minimum required spend in each, allows local authorities to concentrate all discretionary funding on a single priority at the expense of workforce quality and inclusion. Whilst we do not think this should mean enforcing a minimum spend in any one area, we would support The Department monitoring the split of spend across the three categories post-implementation and a review in the future to consider the impact of this change.

Funding Local Authority central services separately from entitlements funding

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

In principle Community support the funding of central services separately, as greater transparency about the gap between published hourly rates and what reaches providers is long overdue and something our members have raised consistently. However, this must not reduce funding either for settings themselves, nor for legitimate central functions that support the workforce directly, such as SEND casework support and workforce development.

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

It is prudent to set out some minimum national expectations to prevent the risk of further postcode lottery, but broadly speaking local authorities should retain flexibility to reflect their local circumstances. Community would support a requirement that local authorities publish an annual breakdown of central grant spend against a small number of nationally defined categories as part of the move to greater funding transparency.

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

In particular, we would expect the early years central services grant to cover, as a minimum:

- SEND and inclusion casework support for providers and families
- Sufficiency planning and market management
- Workforce development, training coordination, and quality improvement support including the CPD release time we have called for in our previous responses
- Support for outreach to eligible families not currently accessing entitlements

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

N/A

Changes to funding Ofsted Early Years Register Fees

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?

No.

Community would support a reduction in inspection activity and burden and a move to a local, peer monitoring and support model. This local accountability would be likely to significantly increase understanding of local issues reflected in the settings and shared knowledge and experiences in supporting and managing them. It would also likely reduce the cost of inspection.

However, the current accountability and regulatory models do not allow for this. Within the current system Community tentatively support the proposal to remove this administrative burden. We also recognise The Department's estimate that the impact on the national average rate would be minimal. But our support is conditional on this being genuinely cost-neutral or better for providers overall, and on it not being used as precedent for further top-slicing of entitlement funding in future.

Equality Impact Assessment and General Comment

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?

The early years workforce is overwhelmingly female and low paid; therefore, any equality impact assessment must start from this position. We welcome the recognition of the positive impact on lone parents, most of whom are also women, and on households more likely to experience low income. London Economics estimates that bringing all staff earning below the Real Living Wage up to £13.45 per hour alone would cost £569 million a year nationally which is an astonishing indication of how widespread sub-Real-Living-Wage pay currently is in this workforce. Funding reforms that do not close this gap risk continued disproportionate impact on women's employment and pay in this sector, as underfunded settings reduce hours, freeze pay, or close. We have raised this same concern in our previous responses in relation to proposals to reduce staff qualification requirements, which we said placed a disproportionate burden on a young, largely female workforce without corresponding recognition or reward.

We also highlight our concern about families who may not know they are entitled to support, or who struggle to evidence eligibility. As already mentioned, Traveller and transient communities, immigrants, asylum seekers, and mothers and primary carers whose circumstances change after maternity leave ends are often left unsupported or are unaware of the support that exists. Any move towards data-driven, proxy-based targeting risks structurally excluding these groups unless deliberate outreach is funded alongside it.

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

Community welcome the ambition behind this consultation to simplify and better target early years funding and note that many of the specific 'basket of measures' and single-application principles we called for previously are reflected here. However, as we have said previously, structural reform cannot substitute for funding that meets the real cost of provision. Postcode lotteries, delayed SEND support and low take-up among disadvantaged families stem as much from insufficient funding as from how it is distributed.

The London Economics analysis commissioned jointly with UNISON puts this in concrete terms: an estimated £3.5 billion a year in additional investment is needed to bring provision up to a standard that reflects real costs, fair pay, and genuine inclusion. Community's Early Years Charter calls for exactly this – funding that adequately covers the cost of provision and improved wages to support recruitment and retention. We would therefore urge The Department to use the evidence gathered through this consultation, including this analysis, to make the case within government for the overall funding uplift the sector and its workforce need, alongside the distributional reforms proposed here.

We would welcome the opportunity to discuss our response further, particularly once the London Economics analysis has been cleared for circulation and contribute workforce evidence to the planned 2028-29 provider cost survey.