Early Years: One year on from the *Giving every child the best start in life* strategy

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A continued political focus on breaking down barriers to opportunity

By GK Strategic Adviser and former senior civil servant, Ian Coates

A quarter of a century ago, the then Prime Minister, Tony Blair, famously said 'our top priority was, is and always will be education, education, education.' The Labour Party's 2001 election manifesto made promises across nurseries, schools, colleges and universities, but the focus for its second term was unashamedly centred on secondary schools.

A lot has changed since then. Fast forward to 2024, and the Labour Party's election manifesto presented a broader approach to education, in the widest sense of the word. 'Break down barriers to opportunity' – which became one of the Labour government's priority missions - set out an extensive set of plans across the Department for Education's policy portfolio, and beyond into other government departments.

'Education' in its more tightly defined sense is of course prominent, with the commitment to help every child to achieve and thrive at school, through excellent teaching and high standards. This has translated into policy initiatives as diverse as additional teacher recruitment, root-and-branch changes to school improvement and first steps towards a new, national curriculum.

Post-16 policy has built on the direction of travel taken by the previous government. The heavy focus on increasing higher education participation which accompanied Tony Blair's speech 25 years ago has been replaced by a multi-pathway commitment to build skills for opportunity and growth. Where the Labour government of 2001 wanted 50% of young people to go to university, the Labour government of 2026 aspires to two-thirds of young people going to university or taking a 'gold standard' apprenticeship.

But perhaps the biggest shift in emphasis has been on early years – setting up every child to have the best start in life is a fundamental pillar of the 'Opportunity Mission'. The creation of a ministerial role focused on Early Education under the Labour government's ministerial team – initially Stephen Morgan, then Olivia Bailey and now Paul Waugh, was indicative of the priority being attached to this policy area. The new Secretary of State for Education, Lucy Powell, referenced the importance of giving children the best start in life in her first remarks on starting her role, suggesting that she will maintain her predecessor's focus on this area.

The milestone of 75% of 5-year-olds reaching a good level of development in the Early Years Foundation Stage assessment by 2028 is the cornerstone on which the wider mission stands. And rightly so – there is a clear evidence base which shows that the first few years of a child's life are a major determinant of their subsequent life prospects. The approach to delivering on the government's vision was set out in a July 2025 policy paper. But delivery remains a work in progress.

Moreover, at the time of writing, there is a live consultation on raising the status and recognition of early years teachers, and a live CMA investigation into the childcare market.

With so much attention on early years, so much still to be decided, and a new Prime Minister and ministerial team in place, a thorough understanding of the early years landscape is essential - and that's the focus of this report.

The CMA's early years market study

By Adviser, Jacob Walsh

In July 2026, the Competition and Markets Authority (CMA) launched a market study into the early years sector following a request from the then education secretary Bridget Phillipson. The study aims to assess whether the childcare market is working effectively for both families and providers and provide recommendations on how to improve the market.

In her request to the CMA, Phillipson asked it to support the government's wider review of early years provision by providing it with a better understanding of the market's functioning and the extent to which it is delivering affordable and accessible childcare. Phillipson highlighted particular concerns around chargeable extras, cross-subsidisation, childcare 'cold spots', the role of different provider models, and how government and local authorities can better shape the market. GK has identified three objectives underpinning the request for the review:

- Understand the use, prevalence and impact of chargeable extras within the sector;
- Develop a better understanding of the structure and dynamics of the childcare market;
- Demonstrate that the government is taking action to address concerns about childcare affordability.

The government was, and continues to be, concerned that the current structure of the market is creating barriers to affordable childcare, through both chargeable extras and 'cold spots'. While providers are permitted to charge for items such as meals, strengthened statutory guidance published in February 2026 clarified that parents must not be required to pay mandatory charges to access funded hours. The fact that chargeable extras were mentioned in Phillipson's letter to the CMA suggests that the government is seeking additional information about the extent to which providers are complying with this guidance and how this is potentially creating barriers to funded childcare places.

The government is also concerned about current market dynamics, with Phillipson's letter explicitly asking the CMA to examine 'cold spots', which are areas where there is insufficient provision for the number of children. Her letter also asked the CMA to look at the role of different models of provision, including private equity-backed settings, and how this potentially contributes to cold spots.

The request for the review was also partly motivated by a desire to demonstrate to parents that the government is acting on childcare costs and the barriers to childcare. Despite this, it is highly likely that the DfE is not entering the review with a predetermined set of policy interventions in mind. Given that the early years market is highly fragmented and the DfE lacks data and evidence regarding the functioning of the market, it is likely that the request to the CMA was motivated by a desire to generate the evidence base to inform the next phase of the government's childcare reforms.

In its proposed scope of work for the market study, the CMA has stated that it will review all the areas highlighted by Phillipson as well as going beyond the remit she set out. It will also examine the adequacy of government funding, the financial sustainability of providers, whether parents have sufficient information and choice, and barriers to market. This is positive for providers, as many providers argue that government funding does not cover the cost of delivering funded places, forcing them to rely on chargeable extras and making it financially unviable to operate in less affluent areas where demand for paid-for hours is lower. This increases the likelihood that the CMA's final recommendations will include proposals relating to the level of government funding, rather than being solely limited to greater restrictions on chargeable extras or additional regulatory requirements for providers.

The CMA is currently consulting on its proposed scope of the study and will gather evidence through to December 2026. It will then consult on its emerging findings between December 2026 and April 2027 before publishing its final report in May 2027. This means that providers have an important opportunity over the coming months to engage with the CMA to ensure their voices are heard and their concerns around funding are reflected in the CMA's final report.

The CMA's precise findings will shape the government's future approach to the sector, and there are a wide range of policy instruments that the government could implement regarding chargeable extras and the role of private equity-backed provision in the sector. Given the range of outcomes, it is important that providers are ready to engage with the government and the CMA to ensure they are both well sighted of changes coming down the track and well positioned to influence the CMA's findings and the government's subsequent response.

Developing and retaining a skilled early years workforce

By Adviser, Noureen Ahmed

The 'Giving every child the best start in life' strategy, published under Keir Starmer's government, recognises that a stable and highly skilled early years workforce is the foundation of a high-quality early education sector. Key actions outlined in the strategy to support with this commitment include supporting more early years staff to boost their qualifications, funding high-quality training programmes for both educators and leaders, and improving conditions and career pathways at all levels.

The early years workforce has grown significantly in recent years. Data published by the Department for Education shows that the total number of paid childcare staff increased by 20,200 (6 per cent), from 347,900 in 2023 to 368,100 in 2024. However, recruitment and retention still pose significant challenges for the sector. Analysis conducted by the National Foundation for Educational Research (NFER) on the early years workforce, published February 2026, found that:

- Early years staff numbers may have plateaued and appear to be below the government's estimated requirement for delivering the expanded childcare entitlement;
- Qualification levels remain low, impacting the government's commitment to develop a higher qualified workforce;
- Early years pay is low, especially for staff who are more highly qualified.

Early years settings have long struggled to attract qualified staff owing to rising workload and increasing expectations, factors of which contribute to long term retention challenges. In analysis published by the Early Years Alliance in November 2024, 78% of respondents surveyed were finding it difficult to recruit suitable new early years staff. In addition, 37% of respondents were actively considering leaving the early years sector with job related stress cited as one of the most common reasons why (68% respectively).

The best start in life strategy emphasises that there is a need for more 'skilled' and 'passionate' early educators to address ongoing workforce challenges. To support with this, the DfE has committed to establish an evidence-informed careers framework to support career progression at all levels and explore steps to increase flexible working and reduce workload. This demonstrates that while there is a recognition that recruitment is a fundamental issue for the sector, focusing solely on this aspect of reforming the early years system will not be enough to address ongoing workforce challenges. Instead, the government has emphasised the need to implement measures that will build and develop long-term workforce stability.

The NFER report highlights that the proportion of early years staff with a level 4 or above (higher education) early years qualification remains relatively low, at a quarter of the overall workforce. The formal launch of a new Early Years Teacher Degree Apprenticeship (EYTDA) standard in February 2025 underpins the ambitions set out in the strategy for a high-quality early years workforce. The EYTDA is a three-year undergraduate-level apprenticeship qualification which aims to enable a trainee to obtain a full and relevant level 6 qualification with an early years degree and Early Years Teacher Status (EYTS). This apprenticeship, which is due to commence this year, is set to build the right Level 6 workforce and help secure high-quality early years provision.

Pay for early years staff has consistently been identified as a key driver of staffing challenges. A report published by the Low Pay Commission in February 2026 - the body which recommends minimum statutory wage rates to the government - found that one in seven childcare professionals paid around the minimum wage. One of the reasons identified for low pay in the report is restricted hourly funding rates. In an oral evidence session with the cross-party Education Select Committee on Wednesday 8 July, the then Minister for Early Education Olivia Bailey MP, stressed that the DfE is keen to think more 'broadly' about how it can support and improve pay conditions in the sector. This is evident through the new Early Years Teacher Recognition Payment scheme, which aims to incentivise early years graduates to work in early years settings in deprived areas.

Recruitment and retention in the early years sector must remain a vital consideration for the government as it looks to develop and retain a skilled and valued workforce. The strategy does well to put recruitment, retention and training at the forefront of its reforms to the sector, but in order to deliver high quality early years education for all children, there is a fundamental need to ensure that the sector is attractive over the long term for those who pursue higher training and qualifications.

What to expect from the government's early years entitlement review

By Associate, Natty Croucher

The government has put early years provision at the heart of its agenda to break down barriers to opportunity and ensure every child has the best chance to achieve and thrive. Sir Keir Starmer's administration oversaw an increase of over £4 billion in expenditure on early years entitlements, which will rise to an anticipated £9.5 billion in the 2026-27 academic year. However, alongside significant increases in expenditure have also come commitments to review and reform how the early years system operates.

The Department for Education (DfE) first outlined its intention to review early years funding in the 'Giving every child the best start in life' Strategy, pledging to 'hardwire' the system to benefit children and places with the greatest need. A consultation launched on 6 July 2026 set out four aspirations: improving access to childcare for low-income families; improving support for children with SEND in the early years; outlining expectations for the best start in life strategy; and driving greater efficiency, simplicity and transparency in funding allocation, so 'every penny can work harder for children and families.'

At the heart of proposals is reform to the data behind the Early Years National Funding Formula (EYNFF), the mechanism by which central government allocates ringfenced funding to local authorities, who pass it on to providers via a local hourly rate. There has been some concern that the formula's underlying data covering deprivation, demand, and delivery costs are outdated, and fail to reflect the true reality of need in different local areas.

Addressing this, the DfE has confirmed it will implement two significant data updates from 2027-28. This includes a new General Labour Market (GLM) dataset to better reflect local labour costs, and a new 2025 Income Deprivation Affecting Children Index (IDACI) data, expected to 'tilt more funding towards areas with greater density of deprivation.' In practice, this means the formula's deprivation factor - currently 8% of the total weighting - will now be split evenly between the existing free school meals (FSM) proxy and the new IDACI measure.

DfE modelling for 2026/27 suggests some local authorities could see rates rise by more than 9%, while others face reductions of up to 12%. Around 30 councils could face decreases of more than 3%. The DfE has committed to a range of transitional protections to protect the most affected local authorities.

The proposals also commit to simplifying the early years SEND funding system, tackling 'complexity' in different funding streams for parents and providers and supplying more upfront funding to providers to support high needs provision. This would initially be available through the Inclusive Early Years Fund (IEYF), introduced for the 2026/27 academic year, allowing providers to 'deliver more proactive support for commonly occurring needs and better enable early intervention'. The DfE is exploring options as to how to 'enhance' the fund from 2028-29.

The Department has also said it will reduce the number of local funding supplement categories councils can use, from five down to three - deprivation, inclusion, and site specific - from 2028-29, aiming to make funding easier to direct where it's needed. Separately, from 2029-30, it plans to fund local authority central services (such as administering entitlements and meeting sufficiency duties) through their own standalone grant, rather than from the same pot as provider funding - so the money providers actually receive matches published rates more closely. The consultation is open to submissions until 14 September 2026.

Alongside the ongoing consultation, the government is also conducting a cross-departmental review of early education and childcare provision across the country. The aspiration is to set out a 'new vision' for the system that 'improves children's life chances and supports parents' work choices'. Appearing before the Education Select Committee on 8 July, the then Early Education Minister Olivia Bailey confirmed that the DfE want to take a 'big and holistic' look at the system, though was not drawn on a timeline for significant reform, instead stressing that the review is a 'multi-year process'. Bailey has since been replaced in the role by Paul Waugh MP, who will inherit this process.

Cross government working to improve quality and outcomes in the early years sector

By Senior Partner & Head of Strategy & Growth, Emma Petela

In September 2025, Ofsted laid out a renewed approach to education inspections, following a 12-week consultation that opened in February 2025. This renewed approach includes new 'report style' cards for inspections, with education settings being awarded grades on five-point scale across a wide range of areas

The new approach, which rolled out in November of the same year, introduced a new 'exceptional' rating, and gives a score across a range of 'core evaluation' areas in place of just a single rating for a setting. These changes are intended to give parents greater information and to reduce stress within settings by moving away from one-word inspection outcomes. The Labour government also announced that from April 2026, all newly registered providers would be assessed within 18 months of registering, rather than the previous 30 months.

While the changes made to the inspection regime increase the *expectations* placed on providers, it is unlikely to have any significant material effect on early years provision in and of itself. It does, however, demonstrate the Labour government's commitment to address some of the challenges facing the early years sector (as set out throughout this report). In line with the best start in life strategy, these include:

- a greater focus on 'inclusion', with inspectors explicitly evaluating whether settings are providing high-quality support for children who are from disadvantaged backgrounds, known to children's social care, and those who have SEND;
- Greater responsibility on providers for promoting staff wellbeing;
- An increase in frequency of Ofsted inspections in early years settings from every six years to every four years by March 2030.

Yvette Stanley, Ofsted's National Director for Regulation and Social Care, noted that it is 'essential' that parents and carers have up-to-date information about the quality of early years providers so they can make informed decisions about their child's education and care.

Under Keir Starmer's administration, there has also been an emphasis on improving early years outcomes, as evidenced by its target for 75% of five-year-olds in England to reach a 'good level of development' (school readiness) by 2028. This target forms a core milestone of the Department for Education's opportunity mission - to break the link between background and future success.

According to the then early years minister Olivia Bailey, the DfE was on track to meet its 75% target, having confirmed that it has already hit 68%. Bailey noted that the DfE is doing a lot to make sure it achieves the target through supporting teachers and staff in reception years and ensuring local authorities are provided with the funding to deliver 'evidence-based intervention' on parenting and home learning environments for three to four year olds.

There is no doubt that high-quality early years provision can generate a significant and sustained improvements in outcomes for children, and the government's ongoing work to bolster high-quality provision is certainly underway. The recognition that this can primarily be achieved through cross government working is positive. It also aligns with the then early years minister Olivia Bailey's commitment that the DfE wants to have a 'big and holistic' look at the system and determine how to deliver the 'best quality' of family support and education for all children. By linking health, education and family hubs together, it helps to ensure that the early years sector is not only working in isolation but also supports the government's ambition to provide early intervention and support for all children.

Contact Information

If you have any questions about this briefing or would like to discuss its contents in more detail, please contact:

Scott Dodsworth // Senior Partner & Managing Director // scott@gkstrategy.com

Lizzie Wills // Senior Partner & Head of Private Equity // lizzie.wills@gkstrategy.com

Emma Petela // Senior Partner & Head of Strategy and Growth // emma@gkstrategy.com

Natty Croucher // Associate // natty@gkstrategy.com

Noureen Ahmed // Adviser // noureen@gkstrategy.com

Jacob Walsh // Adviser // jacob.walsh@gkstrategy.com