

FAQS: EARLY YEARS FUNDING CHANGES



On 25 November 2015, the government announced the results of its review into early years funding, ahead of the roll-out of the new 30-hour free entitlement scheme for three- and four-year-olds for working families.

Q: How much extra money has the government promised?

A: The government has pledged an extra £300m per year to fund an increase in early years funding rates. This equates to an average national rate of £4.88, including the early years pupil premium (EYPP) for three- and four-year-olds, and £5.39 for two-year-olds. The government had also pledged at least £50m in capital funding.

Q: Is the £300m announced yesterday the total annual funding for the new scheme?

A: No – this is just the additional money for the increase in funding rates. The government had already pledged around £640m for the extra hours but this didn't include any increases in funding rates.

Q: Why does the three- and four-year-old funding rate include EYPP? Does this mean the new rate is actually only £4.35 (£4.88 – 53p)?

A: We are unclear why the new rate announced by the government includes the EYPP as this is currently a separate funding stream specifically for disadvantaged three- and four-year-olds. Because the new average rate applies to all children, and the EYPP only applies to some children, you cannot simply subtract 53p from £4.88 to work out the new rate excluding EYPP. Sources at the Department for Education (DfE) have told us that the inclusion of EYPP only accounts for 5p of the new rate (i.e. if you don't include EYPP, the new rate for three- and four-year-olds is about £4.83). Labour says their analysis shows it accounts for around 13p (i.e. the new rate, excluding EYPP is about £4.75).

Q: When does the new funding come in?

A: The additional funding for the 30-hours offer has been confirmed as starting in 2016 in time for the pilot schemes. £15m will be invested in 2016/2017 for the pilot scheme, rising to £365m in 2017/2018 (the predicted cost of the full roll-out of the scheme from September 2017 to the end of the financial year in March 2018). In 2018/2019, the

government will invest £640m, rising to £670m by 2020/21. The £300m funding for rate increases (and the £50m in capital funding) will be invested into the sector from 2017/18.

Q: Will providers still be funded via local authorities?

A: Yes – the government has confirmed that this is the case.

Q: So are the funding rates announced yesterday the rates that local authorities will be receiving or providers will be receiving?

A: The rates announced yesterday are a national average of the rates local authorities will be receiving. The government has said it will consult on a national early years funding formula to help improve transparency and ensure that more funding is passed onto the frontline.

Q: My local authority is currently funded at more than the rates announced yesterday. Does this mean their funding is going to be cut?

A: The rates announced yesterday are only average rates, not the rates each local authority will be receiving. The government has said that how much each local authority will receive following the rate increase will be decided as part of its national early years funding formula review.

Q: Will funding be reviewed periodically?

A: The government hasn't said anything about reviewing funding going forward, although this may be something addressed in the national early years funding formula review.

Q: Is the funding for childcare or early education or both?

A: Childcare minister Sam Gyimah has said that the government sees the first 15 hours of the free entitlement as being aimed at providing early education for children, and the additional 15 hours as being aimed at providing childcare to help parents get back to work. However, he also confirmed that the funding, ratios and staff qualification requirements will be the same for both sets of hours.

Q: Who is eligible for the 30-hours offer?

A: The government has now said that parents will be able to access the 30-hour entitlement if they each (in dual-parent families) work at least the equivalent of 16 hours per week at the national living wage – or national minimum wage for those aged under 25 – including

those who are self-employed; and earn less than £100,000 each. The additional free hours will also be available where one parent is employed but the other has substantial caring responsibilities or is disabled.

Q: So if a parents works less than 16 hours a week, can they still be eligible?

A: Yes. Childcare minister Sam Gyimah has confirmed that eligibility is based on income earned, not hours worked, so if a parent works for less than 16 hours, but in that time, earns more than the equivalent of 16 hours per week at national living wage (or minimum wage for under-25s), they will still eligible for both the 30-hour offer and the tax-free childcare scheme.

Q: Who is responsible for determining who is eligible for the 30-hours offer?

A: Education secretary Nicky Morgan has said that parents will be able to apply for both the 30-hour scheme and the tax-free childcare scheme through a joint online application being developed by HMRC.

Q: Is there a chance the government could try to relax ratios to make the policy more affordable?

A: Childcare minister Sam Gyimah has stated that “there are no plans to reduce the ratios for three and four-year-olds”. However, the government is keen for more providers to work at the current statutory limits in order to ‘increase efficiency’ (many providers use more staff than is required by law to maintain a high quality of provision).