

FREE CHILDCARE FOR 2, 3 AND 4 YEAR OLDS

Frequently asked questions

Government is underfunding the extension of the free entitlement

The Government is making a substantial investment in childcare to underpin the 30 hours entitlement. Taken together, the funding from the Summer Budget, and the funding announced at Spending Review, means that we will be spending over £1 billion extra per year on the free entitlements by 2019-20. £300m per year of this will be spent on increasing the national average funding rate. We are committed to a fairer allocation of funding, and will consult on proposals in the New Year.

You've said that the 30 hours is worth £5,000 per year – that works out as £4.39 per child per hour but you say you will be funding at £4.88. Which is it?

“Around £5,000” is our estimate of what 30 hours of childcare is worth to working parents and is based on the current market prices published by the Family and Childcare Trust. It is not our estimate of what it costs to deliver the free entitlement, nor what we are planning to pay. Our average funding rates are informed by an extensive, 6-month Review of the Cost of Providing Childcare.

Eligibility for 30 hours has been cut by a third

This is not true. All 3 and 4 year olds will still be eligible to access 15 hours of free early education. The additional 15 hours is for working parents.

The additional 15 hours will be available to families where both parents are working (or the sole parent is working in a lone parent family), and each parent earns a weekly minimum equivalent to 16 hours at national minimum wage or living wage, and less than £100,000 per year. Working will include employed and self-employed persons.

We estimate that around 50,000 fewer children will be eligible as a result of these income thresholds.

EYPP is going to be cut

No. The EYPP will continue and is separate funding allocated to early years providers based on the eligibility of individual children. In 2015-16 Government invested £50m in the EYPP.

The uplift to the national average rate includes the EYPP

No. The £300m per year being invested in increasing the rate is new money, in addition to funding allocated on the EYPP. The uplift means that the national average hourly funding rate is increasing from £4.56 (including the EYPP) to £4.88 (including the EYPP). The EYPP itself constitutes around 5p of these funding rates.

Every provider across the country will be paid the same rate

No, this is not the case. Government recognises that the cost of delivering childcare varies across the country. This is why we are going to introduce a new national funding formula. This new approach to providing early years funding will ensure that funding is transparently and fairly matched to need. For early years, this will help ensure that as much funding as possible reaches providers and that funding is fairly distributed between different types of providers and different parts of the country.

Some LAs will lose out as they are currently paid more than new rate

LAs won't pass on the uplift to providers

A number of local authorities, including those paid more than the new rate, currently retain significant resource for local-authority delivered functions, rather than passing their higher rates on to providers.

We know that the current funding system for the three- and four-year-old entitlement does not deliver fair and equitable funding across the country. This is why we will ensure that the increased funding is allocated fairly between local authorities, through a new national funding formula. We know that costs are not the same across the country, and we will of course make adjustments to the rate to reflect local circumstances.

We are clear that local authorities should pass on as much funding as possible to providers rather than retaining significant resource centrally. Our move to fair allocation of funding will enable all councils to afford to pay providers a sustainable rate. We will consult on these issues in the new year.

SUMMARY OF THE FACTS

The facts on NEW government investment

The Chancellor announced yesterday that the Government will invest more money to deliver 30 hours of free childcare

- Together with the funding announced at Summer Budget, the **Government will be investing over £1 billion extra per year by 2019-20** on the free entitlements.
- The new funding includes £300 million per year from 2017-18 for a significant uplift to the rate paid for the 2, 3 and 4 year old entitlements.

As promised Government will pay local authorities a higher hourly rate to deliver the free entitlements for 2, 3 and 4 year olds as a result of this extra investment in childcare

- As a result of this extra investment the new national average rates will increase from £4.56 to £4.88 for 3 and 4 year olds (including the Early Years

Pupil Premium) and from £5.09 to £5.39 for 2 year olds. These will come into effect from 2017-18.

- The national average rate is the amount paid to local authorities for all children – not just those that receive the EYPP.
- The EYPP was included in the uplifted rate for 3 and 4 year olds to reflect the total government investment in the free entitlement.
- The EYPP will continue. In 2015-16 Government invested £50m in the EYPP.
- These are national average rates and the actual rate paid to individual local authorities will vary as the level of funding for each area will be determined through a new National Funding Formula. We will consult on how this could work and how local authorities can be supported to transition to their new funding rates.
- An extensive, 6-month Review of the Cost of Providing Childcare has informed decisions about the increase to the average funding rates. This is the most comprehensive bottom up analysis of the actual cost of childcare provision in this country. It was led by the Department for Education's Chief Analyst with support from a team of economists from DfE and is a robust analytically-led and evidence based report. It is also the product of substantial engagement with providers both through the call for evidence and series of roundtables across the country. The review can be accessed [here](#).

To make sure more money reaches childcare providers and that funding is distributed fairly across the country, Government will introduce a National Funding Formula

- To make sure that both providers and the tax payer get a fair deal, Government will introduce National Funding Formulas for early years, schools and children with high additional needs, so that funding is transparently and fairly matched to need. For early years, this will help ensure that as much funding as possible reaches providers and that funding is fairly distributed between different types of providers and different parts of the country. We expect the EYNFF to come into effect from April 2017.
- We will consult in the New Year on what a National Funding Formula might look like.

In additional to an uplifted hourly rate the Government will also invest in capital funding to create new childcare places

- To build capacity, capital funding is available to create nursery provision as part of new Free Schools. The Department for Education estimates that at least 4,000 places will be created this way. In addition to this investment, the Department intends to allocate at least £50 million of its capital allocation to

support the creation of early years places and ensure there are sufficient places.

The facts on eligibility for free entitlements

The 2 year old entitlement and the existing universal entitlement for 3 and 4 year olds will remain the same.

- The 2 year old entitlement to 15 hours per week of free early education will continue to be provided for children in the 40% most disadvantaged households. Information on who is eligible can be found [here](#).
- All 3 and 4 year olds will continue to be eligible for 15 hours per week of free early education. This is a universal entitlement for all children.
- Both of these entitlements will benefit from the uplifted funding rates.

The 15 hours of free childcare for 3 and 4 year olds will be provided in addition to the existing universal entitlement to 15 hours for all 3 and 4 year olds.

- The new entitlement to an extra 15 hours of childcare is an entitlement for the working parents of 3 and 4 year olds. These 15 hours are in addition to the existing universal entitlement for all 3 and 4 year olds. The purpose of this entitlement is to make sure that the cost of childcare is not a barrier to parents who want to work or who wish to work more hours.

Eligibility will be based on parental income and not the number of hours worked each week

- The additional 15 hours will be available to families where both parents are working (or the sole parent is working in a lone parent family), and each parent earns a weekly minimum equivalent to 16 hours at national minimum wage or living wage, and less than £100,000 per year.
- In a household where at least one parent earns £100k, that family will not be eligible to take up the extra free hours.
- The NLW will come into force for workers aged 25 and over from April 2016 and operate alongside the NMW for workers under the age of 25. This means that, when the extended entitlement goes live, a working parent who is over 25 will need to earn a weekly minimum equivalent of £115.20 whereas a working parent who is 21 will need to earn weekly minimum equivalent of around £107 (at this year's rates).
- In general, families where one parent does not work (or neither parent works) will not be eligible for these additional hours. However, the Government

intends to make provision so that parents in certain circumstances will be regarded as being in work. This includes couple families where one parent is in receipt of benefits relating to caring responsibilities or their disability. More information was published in the Policy Statement on 2 October and full details will be set in regulations. The policy statement is available [here](#).

- Part-time and self-employed working parents as well as working parents employed on zero-based contracts will all be eligible to apply for the extended entitlement – provided they are each earning a weekly minimum equivalent to 16 hours a week at either the national minimum wage (NMW) or the national living wage (NLW).

The new entitlement for working parents will be available across the country from September 2017, but we will implement it early in some areas from September 2016

- The 30 hours entitlement will be available nationally from September 2017, but will be offered in some local authority areas from September 2016 through the Early Implementer Programme. This will be an opportunity to test what works and what doesn't in delivering the extended entitlement. The Government has received a huge amount of interest from local authorities, childcare businesses and other organisations for delivering the offer early, and will announce which areas have been successful in the New Year.
- The learning from early implementer areas will test out important operational details for delivering the extended entitlement and provide a source of intelligence to support the Government in refining the systems to deliver the full roll-out.