Department for Education

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Our ref: 2021-0043520

11 November 2021

Dear Gillian Duckworth

I am writing on behalf of the Secretary of State for Education to thank you for your letter of 22 September regarding 'investing in early years'. I am sure you will appreciate, since the outbreak of Coronavirus (COVID-19) in the UK, ministers and the department have received unprecedented levels of correspondence. I would like to take this opportunity to apologise, we have been unable to respond to your query as quickly as we would have hoped.

We recognise the contribution that all early years and childcare staff make in their work every day, both to the early education of children and to support the economy.

We are deeply grateful for the incredible commitment and dedication early years professionals have shown over the last 18 months. They have provided fantastic support to children providing continuity of care and high-quality early education in extremely difficult circumstances, including remaining open for vulnerable children and children of critical workers, during the lockdown period.

On the question of Sure Start children's centres, decisions on how best to meet the needs of the local population have always been for the council concerned. Spending on children's centres has reduced from its peak, but has grown elsewhere – for example, the 15 hours of early education for disadvantaged 2-year-olds has benefited over 1.1 million children since its introduction in 2013. There are also important legal protections in place, for example, statutory guidance makes clear where councils decide to close a children's centre site, they should demonstrate that children and families, particularly the most disadvantaged, will not be adversely affected.

In addition, the government is investing £300 million to transform services for families in half of the local authorities in England. This will provide funding for: a network of family hubs, local areas to publish a Start for Life offer, perinatal mental health support, breastfeeding support, and parenting programmes in 75 areas. This builds on the existing £34 million investment to champion family hubs which includes: a £12 million transformation fund to open family hubs in at least 12 new areas in England, a new national centre for family hubs to provide expert advice, guidance and advocacy, data and digital products that will support the practical implementation of family hubs, and an evaluation innovation fund to build the evidence base. The family hub model builds on what we have learned from Sure Start children's centres. Family hubs bring together services for children of all ages and so respond to the needs of the whole family. Sure Start Children's Centres can form part of a family hub network. Our National Centre for Family Hubs will work to ensure that councils understand how they can best be incorporated where it is appropriate.

The government has provided unprecedented support during the pandemic. The intention of the Job Retention Bonus was met by the Coronavirus Job Retention Scheme (CJRS) which was introduced back in March 2020. The CJRS was put in place to support providers who had experienced a reduction in income from either government or parents and as long as all staff met the requirements for the scheme, businesses were able to furlough their employees to support with the constraints of the pandemic. Previous guidance related to the CJRS can be found here: https://www.gov.uk/government/collections/coronavirus-job-retention-scheme.

Under the scheme, the government initially contributed the full 80% of wages. From 1 July 2021, 70% which reduced to 60% from 1 August 2021 until the scheme was eventually withdrawn on 31 September 2021.

In the context of the pandemic, the Government did not charge nurseries Business Rates for 2020/21; and there are reductions in place for 2021/22. The latest relief entails 66% relief capped at £105k for the rest of the year. More information about how to claim this discount can be found here: https://www.gov.uk/apply-for-business-rate-relief/nurseries-discount.

In addition, on 3 March 2021 the government introduced the new Recovery Loan Scheme supporting businesses of any size to access loans and finance so that they can recover after the pandemic and transition period. Further information on how to access this scheme can be found here: https://www.gov.uk/guidance/recovery-loan-scheme.

Turning to funding, we have spent over £3.5 billion in each of the past three years on our early education entitlements; we continued funding nurseries and pre-schools at pre-COVID levels throughout 2020, even if children were not attending and we are temporarily varying our approach to funding Early Years over the 2021-22 financial year to give local authorities and providers better certainty over their funding income.

The government will continue to support families with their childcare costs. At the Spending Review on 27 October, we announced that we are investing additional funding for the early years entitlements worth £160m in 2022-23, £180m in 2023-24 and £170m in 2024-25, compared to the current year.

This is for local authorities to increase hourly rates paid to childcare providers for the government's free childcare entitlement offers and reflects the costs of inflation and national living wage increases.

We will confirm the 2022-23 hourly funding rates for individual local authorities in due course, followed by the initial allocations in December.

As you may be aware, the government funds local authorities to deliver the government-funded entitlements through the Early Years National Funding Formula (EYNFF). The EYNFF was introduced in April 2017 to fund the three- and four-year old entitlements fairly and more transparently.

The formula is made up of a universal base rate, (which is the same hourly funding rate for every child in a local authority) plus funding factors for additional needs, using measures of free school meals; disability living allowance and English as an additional language.

The formula also includes an area cost adjustment (ACA) multiplier to reflect variations in local costs. This uses the General Labour Market measure to indicate staff costs and a Nursery Rates Cost Adjustment (NRCA) to indicate operational costs.

Each local authority's EYNFF rate would vary by their additional needs formula factors and their ACA values.

We continue to engage with sector stakeholders and local authorities to monitor dynamics within local markets, parents' access to the government's entitlements and the childcare they require, and the sustainability of the sector.

I hope this reply finds you well.

Your correspondence has been allocated reference number 2021-0043520. If you need to respond to us, please visit https://www.education.gov.uk/contactus and quote your reference number.

Yours sincerely

Miss N Stewart

Ministerial and Public Communications Division