

## Supplementary written evidence submitted by the Minister for Children, Families and Wellbeing

I am writing in response to your letter on 26 May to provide some further detail following my recent attendance at the Education Select Committee, to support your inquiry into support for childcare and the early years. This letter provides additional information on local authority engagement, business rates and VAT, and childminder regulation.

### **Local Authority Engagement**

At the Committee session on 9<sup>th</sup> May, I highlighted that the Department will be engaging extensively with local authorities and their provider base over the summer term. We will use this engagement to ensure we are working closely with local authorities to identify challenges and opportunities in their areas, and to identify emerging delivery trends across the country. This will inform ongoing engagement with local authorities and will be shared with the relevant authorities where appropriate, and where this can support delivery of the expanded entitlements. This information will be treated confidentially to ensure it supports open discussion with local authorities, but we will consider whether it would be helpful for aggregated information to be published.

### **Business Rates and VAT for early years providers**

Firstly, you requested information on the measures we are considering to better support provisions with business rates and VAT. As above, we will be working closely with local authorities and providers over the coming months to identify what needs to be in place to support such a significant expansion in childcare provision. We have not yet undertaken this engagement and we will review the feedback once it has been concluded.

Your letter also requests further clarity on the separate allocation processes for business rate costs and whether we look to ensure parity between private childcare providers and maintained nursery schools. As we discussed at the committee, all occupiers of non-domestic property are assessed for business rates, including

schools. Local authorities receive funding for business rates for schools through the schools national funding formula, which the government uses to calculate core funding allocations to mainstream, state-funded schools in England for pupils aged 5-16. Since April 2022, some schools have had their business rates bills centralised. The aim of this change is to reduce administrative burdens for schools and simplify the existing process.

For early years (including maintained nursery schools), the government funds local authorities to deliver the early years entitlements through the early years national funding formula (EYNFF) for the 3- and 4-year-old entitlement and a separate formula for the 2-year-old entitlement. The hourly funding rate paid to LAs for these entitlements is designed to recognise the average costs across different provider types and is intended to reflect staff and non-staff costs, including business rates.

It is true that school based nurseries may benefit from a small degree of cross-subsidy in their core schools funding allocation. However, we know from the Survey of Childcare and Early Years Providers that they also tend to have higher unit costs, principally related to staffing. We use a bottom-up cost pressure model to calculate a cost per contact hour using sources such as the Survey of Childcare and Early Years Providers. Our modelling includes elements such as reported staff:child ratios, reported staff salary data and other non-staffing costs which include business rates and utilities.

While we do weight between provider types in our modelling, we produce a national average funding rate. We know that costs differ depending on factors such as the cohorts of children, additional needs, location, provider type and business model as well as individual circumstances. We distribute funding through national funding formulae which look to address some of that variation by recognising factors such as how staff and premises costs vary by location and additional needs.

Our focus is on ensuring the early years system is appropriately funded as a whole, which is why we have announced additional funding of £204 million in 2023-24, paid from September 2023, rising to £288 million by 2024-25 with further uplifts to follow each year.

## **Childminder Regulation**

Your letter also asked for further details on the changes we are considering to better support childminders.

As a first stage in growing and supporting the entire early years workforce, we have now launched a consultation on a package of possible flexibilities that could be introduced to the Early Years Foundation Stage framework while protecting the quality and safety of settings. The proposals in this consultation have been informed by conversations with a wide range of stakeholders and early years providers. We hope to hear from many people and organisations so we can gather a broad range of views. This will help us reach well-informed decisions as to whether the changes would be helpful to a wide range of providers to help us shape the final package of support. The consultation can be found at <https://consult.education.gov.uk/early-years-foundation-stage/early-years-foundation-stage-regulatory-changes/>.

We are also aware of a number of other issues, including matters regarding premises, that can be a barrier for some prospective childminders. At the committee session, I referred to the childminding model in France, where childminders are a bigger proportion of the childcare market and are able to work both from their own home or come together in the 'maisons d'assistantes maternelles' model. However, under our current requirements, childminders have to spend at least 50% of their time in their own home. We are considering ways we can tackle these barriers surrounding the use of childminders' premises. We are also keen to hear from childminders about what more we can do to make childminding an attractive choice and we will be engaging with the sector over the coming months.

I hope this response provides the further information needed by the committee. I look forward to hearing the outcome of the inquiry.

June 2023