

Figure 1: Overview of process – Survey (Costs)

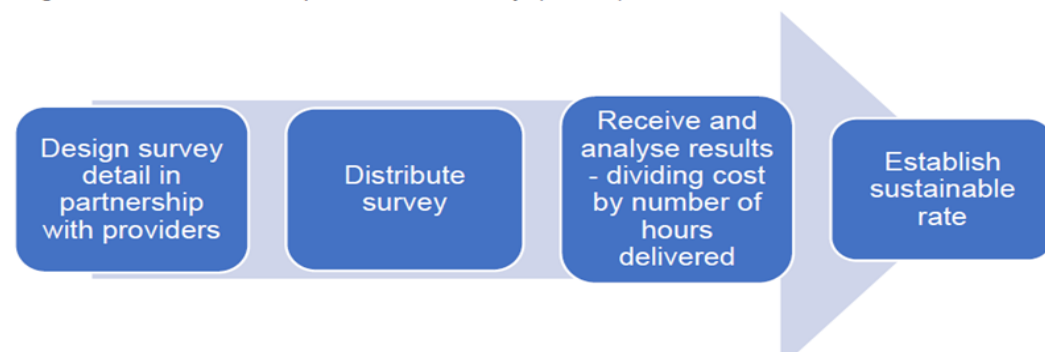


Figure 1 taken from [Funding Follows the Child and the National Standard for Early Learning and Childcare Providers: Guidance for Setting Sustainable Rates from August 2020](#)

Survey (Costs) Method Breakdown

Step 1	Identify the total average overall cost per one hour of funded early learning and childcare as detailed in the IPSOS Mori data collection exercise 2022 – total average overall hourly cost is £4.77.
Step 2	Identify the total average staff cost per one hour of funded early learning and childcare as detailed in the IPSOS Mori data collection exercise 2022 – total average staff hourly cost is £3.76.
Step 3	Subtract the total average hourly staff cost from the total average overall cost to determine the total average non-staffing related hourly cost. £4.77 - £3.76 = £1.01
Step 4	From the 2021/22 financial year through the 2024/25 financial year apply Real Living Wage (RLW) increases to the total hourly staffing costs and apply inflationary increases to the total hourly non-staffing related costs. RLW percentages are based on previous year's increase to the RLW and estimated for 2024/25. Inflationary increases are based on CPIH rates from October or November of each financial year and estimated for 2024/25. (Office for National Statistics)
Step 5	Add the updated staffing hourly cost figure and the updated non-staffing hourly cost figure together to determine the base sustainable rate for that financial year.
Step 6	Add an 8% uplift to the base sustainable rate to determine what the final sustainable rate should be for each financial year. (please note the re-investment uplift will be 5% from 2025/26 financial year)
Step 7	Determine the percentage increase for the new financial year based on the current financial year's sustainable rate – current rate is £6.62 for 3-5s with 2024/25 rate increasing to £6.90 = 4.2% increase
Step 8	Add 4.2% increase to the current 2s rate to determine the 2s rate for the new financial year – current rate is £7.95 for 2s with 2024/25 rate increasing 4.2% to £8.28.

Overview of calculations from 2021/22 to 2024/25

Year	RLW	RLW percentage increase from previous year (estimated for 2024/25)	Consumer Price Inflation (CPIH) rate based on figure from-October or November of each year (estimated for 2024/25)	Re-investment percentage	RLW percentage increase for staffing costs	Inflation percentage increase for non-staffing costs	Sustainable Rate before re-investment percentage	Total 3-5s Sustainable Rate including re-investment percentage
2021/22	£9.90	4.2%	4.6%	8%	£3.92	£1.06	£4.98	£5.38
2022/23	£10.90	10.1%	9.3%	8%	£4.32	£1.16	£5.48	£5.92
2023/24	£12.00	10.1%	4.7%	8%	£4.76	£1.21	£5.97	£6.45
2024/25	£12.90	7.5%	4.7%	8%	£5.12	£1.27	£6.39	£6.90