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Early Years and Childcare Reforms 2023

Spring Budget announcements for Early Years & Childcare

In the government's spring budget, the Chancellor announced transformative reforms to childcare worth over £4bn

The expansion of the funded childcare offer will be rolled out in stages:

AUTUMN 2023	Childminder grants become available. Invest £204m into 3/4yo and 2yo funding rate. Staff: child 2yo ratio change
APRIL 2024	15hrs for eligible working parents of 2-year-olds introduced. Invest £288m into 3/4 yo and 2 yo funding rates.
SEPTEMBER 2024	National wraparound support begins. 15hrs for eligible working parents of children 9 months plus introduced.
SEPTEMBER 2025	30hrs for eligible working parents of children from 9 months to primary school age introduced.
SEPTEMBER 2026	All schools able to offer 8am-6pm wraparound on their own or in partnership.

The reforms mean the government expects to spend an additional £4.1 billion by 2027 to 2028 to fund 30 hours of free childcare per week (38 weeks per year) for children over the age of nine months. At the introduction of the new entitlements from 2024 to 2025, the average funding rate for local authorities for ***under 2-year-olds*** will be around £11 per hour. It is important to note that this is the amount the LA receives. LA are permitted to retain up to 5%, therefore the hourly rate passed to providers is significantly lower. The hourly rate differs across LAs, Gloucestershire rate is typically slightly lower than the national average. The majority 5% that is retained by GCC is contributed to the C&FC contract value, that currently ***does not*** deliver any EY services.

Expansion of the 30-hour childcare offer

Impact and challenges for the LA and EY sector

- Increased demand for childcare places potentially poses a challenge to the LA Childcare sufficiency duty.
- If 80% of additionally eligible parents choose to take up the offer, in Gloucestershire we could need up to 5000 additional childcare places, (based on current birth data, and based on 80% as this is the % currently taking up 2 yr. old offer)
- The EY sector, both national and locally, are already reporting significant staff recruitment and retention challenges, forcing many to close some of their rooms and in some cases the whole provision.
- Potential impact on the quality of EY provision given providers continue to be clear that the funding attached to entitlements does not meet actual costs, income will be lost through DSG funding replacing private fees at a lower hourly rate, and impact that increased staffing ratios may have on quality, especially for more vulnerable children/children with additional needs.
- Impact for the EY Quality & Inclusion teams and the Sufficiency and Business teams including funding administration team) - More children accessing EY settings may add pressure to EY resources, more settings to provide support to (Quality, Inclusion and SEND, Business support, training etc. More staff needed to support more settings and more children.
  An increase in demand for Early Years business support to enable settings to implement changes to business models, increased capacity requirements to meet sufficiency needs will require additional staff in the EY Business Support team.
- An increase in EY funding claims will require additional staff in EY Funding team.
- Potential increase in number of children with SEND in EY settings in need of support, training and resources – including an increase in Inclusion funding requests.
- The current 2-year-old offer is targeted. When the free entitlements offer is expanded to all 2-year-olds, will the focus be lost on the disadvantaged cohort? Will providers be less willing to accept them if other parents can offer top up funding? This will add further to inequalities and our concerns about school readiness.
- Potentially more requests for support for younger children as needs are identified early if child is accessing a childcare/early education setting.
- A consultation with sector has been undertaken to establish how many settings (by locality and provision type) anticipate they will offer full or partial expanded offer and what support they will need from the LA to achieve this. Response rate was low, 165 out of 650

settings responded. Around 50% said they anticipate they will consider expanding their offer, but all said they were unable to commit to this until further information and funding rates had been provided by the DfE.

Funding uplifts for existing funded childcare entitlements

The budget announced additional funding of £204 million from this September. The DfE will provide further details on the distribution of additional funding to local authorities as well as local authority level funding rates for 2023 to 2024 in due course and for 2024 to 2025 in the autumn in line with the usual funding cycle.

Impact and challenges

GCC EY DSG funding rates received by GCC and paid to early Years providers remain below the national average.

Rates for 23/24:

- 2yr Olds - GCC £5.73 – national average £6
- 3&4yr Olds – GCC £4.87 – national average £5.29

These are the rates received by LAs. GCC retain 5% of the funding allocation of DSG. The hourly rates passed to providers is.

- 2 yr. olds - £5.36
- 3&4 yr. olds – 4.50

Low funding rates in the EY sector, along with increased service delivery costs, is the primary factor in the surge in the number of EY settings closing across the county and the country.

The DfE have announced the uplifted rate for the remainder of the financial year, effective from September 2023. This is the current hourly rate plus a supplementary grant (EYSG)

Local authority name (alphabetical order within region)	2022 to 2023 early years national funding formula (EYNFF) rate (including teachers' pay and pensions grant rate) (£ per hour)	2023 to 2024 EYNFF rate (April to March) (£ per hour)	2023 to 2024 EYSG rate (September to March) (£ per hour)	2023 to 2024 effective combined rate (September to March) (£ per hour	Change from 2023 to 2024 EYNFF rate (%)

Gloucestershire	£4.62	£4.87	£0.33	£5.20	6.8%

Gloucestershire	£5.65	£5.73	£1.87	£7.60	32.6%

Considering the GCC retained element of EY DSG the new hourly rate passed to Gloucestershire providers from Sept 2023 is:

- **2 YEAR OLDS FROM SEPTEMBER 2023 = £7.23 (£5.36 current rate + £1.87 EYSG)**
- **3- & 4-YEAR OLDS FROM SEPTEMBER 2023 = £4.83 (£4.50 current rate + 33p EYSG**

The average uplift (EYSG) is 6.3% (3&4 YO) and 32% (2YO), GCC have uplift of 6.8% and 32.6% so just above the national average. However, our new hourly rates are still lower than the national average and a long way off the average £11 per hour for 2 YOs that was included in the initial information.

For April 2024 onwards we will just have an enhanced hourly rate (not the separate EYSG), we expect info of our new hourly rates for 24/25 in the Autumn as usual. The announced uplift is unlikely to cover the minimum wage for staff. Consultation with providers nationally reflect concern that this uplift will still not be enough to make their service sustainable, particularly with increased demand, however it is a far greater offer than was expected.

The LA duty to ensure provision of sufficient childcare remains at risk, impacted by the increased demand for places and the continued low funding rates putting childcare businesses at risk of closure (budget deficits and low staff wages impacting on recruitment and retention)

There is no on-going secure sufficiency budget to support the LAs sufficiency duty. This has been secured for the past 2 years using EY DSG underspend.

Changes in adult to child ratios

The Government has decided to move ahead with changes to adult-to-child ratios. The change from 1:4 to 1:5 for two-year-olds aligns with Scotland, and the government has said they will consult on further measures to improve flexibility for providers. This change will require a change on the statutory guidance and so is far from a done deal.

- Government will proceed with changing staff: child ratios from 1:4 to 1:5 for two-year-olds in England to align with Scotland and bring the UK in line with other countries. These will be new statutory minimums. Providers will continue to decide the staffing levels to meet the needs of the children in their care.
- This change will come in from September 2023 (via secondary legislation) subject to parliamentary procedure.

- Changing minimum staff: child ratios will give providers greater flexibility over how they run their businesses.
- The EYFS will clarify that childminders can care for more than the specified maximum of three children under the age of 5 if they are caring for siblings of children they already care for (rather than just ‘babies’), or if the childminder is caring for their own baby or child (rather than just ‘baby’).
- Government will proceed with changing the EYFS to make explicit that “adequate supervision” while children are eating means that children must be in sight ***and*** hearing of an adult.

Impact and challenges

The change to ratios has been badged as a remedy to the cost-of-living crisis, reducing statutory staffing levels which in turn will impact on reduced childcare costs for parents. However, the general feeling of the EY sector is that this plan risks compromising children’s the quality of education and care that children receive at a time when they need more individual care and attention than ever, not to mention putting their basic safety and wellbeing in jeopardy.

- This will potentially add further pressure on the early years workforce, driving even more highly skilled educators away from the sector, at a time when the early years is already struggling with the worst recruitment and retention crisis in recent history.
- Pacey and other EY sector support organisations continue to work with the Government to better understand and communicate the implications of the policy change for children and early years professionals.
- Gloucestershire EY providers also report concerns and very few have advised that they will amend their ratios due to fears that this will compromise the quality, safety, well-being and development of children in their care.
- At a time when EY settings are identifying a growing number of children with additional needs and SEN, the need is for more funding to increase staffing levels to facilitate appropriate support rather than to decrease this.
- Where settings decide to adopt new ratios, this has potential to force an increase in requests for additional GCC advice and funding to support children with additional needs and SEN.

Startup grants for Childminders.

Financial incentive announced for childminders. This is a move towards a more positive approach to recruitment in the childcare sector.

- Childminders are, on average, one of the cheaper forms of childcare provision for parents and tend to operate at more flexible hours. However, there has been a long term, steady decline in the numbers of registered childminders with just under 30,000 on Ofsted’s early years register in 2022, down by 47% since 2012.
- Start-up grants for new childminders will grow the childminder market with grants worth £1,200 for those who choose to register with a childminding agency and £600 for those who register with Ofsted. These grants will start becoming available from Autumn 2023.

- The higher payment outlined as an incentive for childminders to join an agency requires further discussion with Government around how it will work and perceived benefits to the sector.
- It should be noted that whilst the increased initial payment is positive, the agency model involves a monthly membership fee to the agency which may impact on the potential revenue an agency childminder is able to generate so may not be the best model for long term sustainability.
- We anticipate that in the main this will be a positive reform and will encourage much needed additional childminders across the county.

Additional LA funding for extra wrap-around childcare

The government will invest £289m over two academic years, from Sept 2024, to enable schools and local areas set up wraparound childcare provision.

This is the first step in the government's ambition for all parents of primary school children who need it to access childcare in their local area from 8am –6pm. All schools to offer wrap-around care from 8am to 6pm, either on their own or in partnership with other schools. The ambition is to have this in place by September 2026 and for LAs to take responsibility for the implementation and oversight of this element of the reform.

- This funding will be for schools and local authorities to introduce or expand childcare provision on either side of the school day and enable them to assess flexible ways of providing childcare and gather evidence of what works.
- The government expects that most schools will be able to deliver wraparound childcare that is self-financing and sustainable by September 2026.

Some schools are already delivering wraparound services by using local partners such as local childminders who provide this service for them.

Impact and Challenges

- The wraparound proposal raises several questions around capacity to deliver in already over stretched primary schools.
- Nationally there are reports that childminders see this as a threat to the service they already provide and unsuitable for children who need a calmer setting. There is no confirmation yet, but it has been reported that the funding scheme will only last two years after which schools will be expected to cover costs themselves. This is likely to present challenges to an already over stretched and pressured primary education system.
- LA support for out of school childcare provision (as opposed to EYs) in Gloucestershire was removed several years ago during service restructures. Consideration needs to be given to how the LA will support this development and fulfil the LA duty to implement and provide oversight of this element of the reform.

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