

## **Children, Culture and Communities Scrutiny Committee    23 January 2024**

Report of the Assistant Director, Education and Skills

### **Early Years and Childcare Reforms**

#### **Summary**

1. The purpose of this report is to inform the scrutiny committee about the proposed national Early Years and Childcare Reforms to be introduced from April 2024 to September 2026.

The committee is asked to:

- Note the content of this report and receive further regular updates about progress on local implementation.

Reason: So that members understand the proposed new early years and childcare reforms and the benefits, challenges and risks to successful local implementation.

#### **Background**

2. The government budget in March 2023 announced a range of measures to help parents with early years and childcare so that they can return to work more easily, work longer hours and provide more children with access to high quality early years education.
3. In addition, the government announced that there will be an investment of £204m nationally into the 3/4-year-old and 2-year-old funding rates in 2023/24. This will rise to £288m in 2024/25. The government will also invest £289m over the same 2-year period to enable schools to offer 8am-6pm wraparound childcare either on their own or in partnership with private, voluntary and independent providers.
4. This is a significant expansion of the Early Years and Childcare Entitlements and for the first-time eligible working parents of children aged from 9-months old will be entitled to 30-hours free early years and

childcare per week up until their child starts school at age 5-years-old. A summary of the reforms is attached at Annex A.

5. The government have acknowledged the crucial role local authorities (“LAs”) will play in supporting local early years and childcare markets. They are aware that LAs face managing significant changes for this new roll out due to the scale of the task. The reforms are about different and new entitlements being phased in over a 2-3 period, the market growth required in terms of facilitation and procurement to creating the new places. As a result, they have provided capacity funding for LA staffing and made a capital allocation to each LA.
6. Due to the difference in the new work and the scale and challenge of it the Department for Education (DfE) are also in the process of appointing a national delivery support contractor to work with LAs.
7. Regulations for the new entitlements came into force on 1 January 2024 and therefore these are new statutory duties for CYC to deliver.
8. Based on the most recent annual Childcare Sufficiency Assessment, CYC is overall meeting its statutory duty to secure, so far as is reasonably practical, sufficient early years and childcare to meet the requirements of parents. However, it should be noted that providers have been working within an increasingly challenging operating environment and there is less flexibility being offered as providers limit availability of places due to staffing shortages. This means families are already not always able to access their preferred provider, location, days and times that suit their needs. There is also some unmet need for wraparound care in parts of the city, including for children with complex needs, SEND places as well as a gap for baby places in one area of the city.

### **Local Implementation**

9. CYC is in a good position to begin preparation for the reforms as a result of:
  - High levels of eligible 2-year-old take up;
  - A high percentage of provision judged to be good and outstanding or ‘met’ for out of school clubs with good oversight of quality of all types of provision;
  - Existing forums for communication and engagement with providers;

- Knowledgeable and experienced staff within CYC and recruitment already underway to ensure capacity is in place for the new work;
  - A committed early years and childcare workforce, and;
  - A partnership model known as “Shared Foundation Partnerships” to drive good outcomes for children and ensure sufficiency in local areas.
10. Whilst York is in a good starting position with the reforms, providing clear benefits for the local economy, the scale and pace of the expansion should not be underestimated as it is significant. The operating environment is difficult due to historical underfunding of the sector, recruitment and retention challenges, low morale of the sector, negative impacts on the quality of provision, lack of suitable premises, planning applications that may or may not be approved, lack of capital and revenue particularly for after school provision for children with complex needs as well as the recent loss of day nursery provision placing pressure on baby places.
  11. In the past the childcare market has to a certain extent self-managed any low-level changing demand with light touch sufficiency surveys carried out by the early years team. However, in preparing for the reforms a deep dive into sufficiency is required with a full analysis as the new work differs from what is currently provided because it includes a change in eligibility for families. It is not purely a case of parents ‘converting’ to a new entitlement and therefore it is important that CYC clearly understands how many parents are ‘converting’ to the new entitlement or indeed want a ‘new’ place or to increase their take up of hours.
  12. This deep dive analysis will inform the development of new sustainable, high quality and inclusive places so that there is most focus on where places are needed and not just where the market can respond more easily. CYC is already aware that there should be a focus on more baby places in the Clifton Green area, after school provision in some areas and for children with complex needs, SEND provision and ensuring eligible two-year-olds of non-working parents are not displaced by the new reforms.
  13. Once the sufficiency analysis is complete there will be facilitation of the childcare market to meet the identified priorities by for example commissioning of opportunities to new and existing providers where

there are gaps, targeted recruitment of childminders and identifying with individual providers the potential for expansion and reconfiguration of existing premises to create new places. The current lack of suitable premises across the city in the right areas that meet minimum standards set down by Ofsted across the city continues to be a challenge to sufficiency so creative solutions are regularly reviewed with the sector and other partners such as property services.

14. New early years places as well as wraparound provision should grow in a sustainable way and therefore CYC will give careful consideration to the allocation of revenue funding to those settings that can demonstrate they can show viability over a reasonable period of time and to ensure the longer-term success of the reforms.
15. As already mentioned, there are a range of external factors that inevitably impact on sufficiency of places such as recruitment and retention issues impacting on the quality of provision and subsequent Ofsted Inspection. Eligible two-year-olds should not be placed in provision judged to be less than good and if settings are judged to be 'inadequate' they should not be funded for 2,3 and 4 year old early education entitlements meaning there is a greater risk of financial failure and loss of places for CYC. Providers are also implementing changes to the Early Years Foundation Stage and trying to maintain quality alongside ratio changes all of which adds pressure to the sector in maintaining viability of their provision.
16. The Early Years teams continue to engage with local early years and childcare providers about implications of the reforms via existing networks, forums, and information sessions. Providers understand the benefits of the reforms but have described some of the barriers to expansion already identified, as well as concerns about financially viable business models for wraparound where a school begins to offer alternative activities. In terms of early years as children will be taking up new and expanded early education entitlements the sector is not able to charge a different rate that previously would have subsidised early education places and there are less opportunities to charge for additional services. Many providers are likely to need support in developing new sustainable business models.
17. There is also a concern about possible low take up of voluntary playgroup provision where parents decide to take up places from a much earlier age in alternative provision that can already take younger children and all year round. Is it worth clarifying that it is these voluntary

groups who predominantly offer sessional / term time only funded entitlement places for those families who do not want or cannot afford to pay for additional hours and services over and above the entitlement.

18. Clear and timely communication of the reforms to parents and providers is important to ensure that the correct information is shared at the right time for parents and providers to prepare to access the places and to ensure that parental codes, childcare tax credits and funding returns are in place to support affordability and viability of provision. The communications should also focus on partnership working between different types of providers so that there is no unnecessary competition that could lead to the closure of good quality provision. For example, for the expansion of wraparound provision there is an expectation that schools should work with existing providers on or near the school site to continue to meet parental demand. Some messages will therefore need to be more specific to ensure this is highlighted appropriately.
19. The Early Years Team are also developing the Local Funding Formula for children from 9 months and 2-year-olds and to consider deprivation supplements and an inclusion pot for these young children. Consultation has been arranged with sector representatives on the formula and to seek the agreement of Schools Forum.
20. There are other key challenges relating to processes which add further risk to the success of the reforms:
  - Challenges with the existing funding / payment process; as the funded entitlement will now form a significant element of a provider's income, it is important that the funding process used by the local authority supports provider cash flow and sustainability. Some providers have indicated that they would prefer monthly payments rather than the current system which pays an interim payment at the start of the term and a balance payment later in the term following providers submission of their termly headcounts. In addition, there will be a significant increase in the number of funding payments which need to be administered each term which will impact on the teams already limited capacity. Further work is therefore being undertaken to identify how the system and overall funding process can be updated to be more efficient whilst also meeting the needs of a range of provider types;
  - Functionality in the current IT system, Synergy, and invest in the relevant modules to make sure it provides the relevant functionality

for the extension of the entitlements and ensuring clear information, advice, and guidance from the DfE relating to funding to ensure timely decisions at Schools Forum to pass on appropriate funding rates to support cash flows. The software supplier in this area is currently understanding national implications and producing roadmaps of product functionality. There are likely to be costs for new modules, to the supplier, and for introduction including internal costs, at the start of the reforms;

- Tax Free childcare applications for providers to register with HMRC currently take 12 weeks to process and new Ofsted registrations can take up between 3 and 6 months both of which add delays to the set-up of new provision. DfE are currently in dialogue with both organisations to see if they can respond in a more timely way.

### **Council Plan**

21. Education and Skills: High Quality Skills and Learning for All.

- All ages will have access to learning throughout their lives to equip them with the skills to succeed commercially, socially, locally and nationally.

### **Implications**

22.

- **Financial** – N/A
- **Human Resources (HR)** - N/A
- **Equalities** - N/A
- **Legal** - N/A
- **Crime and Disorder** - N/A
- **Information Technology (IT)** - N/A
- **Property** - N/A
- **Other** - N/A

## **Risk Management**

23. The key risk is the potential failure of CYC to facilitate and expand the childcare market to provide sufficient early years and wraparound places to meet parental demand in line with the reform national deadlines. Statutory sufficiency duties would not be delivered leading to possible legal challenge from parents and reputational risk for the local authority. Other implications are children being at risk of poorer outcomes if they are not taking up their full early education entitlements and parents not being able to stay in or return to work which could impact negatively on the local economy. The early years and childcare reforms have a narrow focus on expanding the market for working parents with less emphasis on reducing inequalities for disadvantaged children.
24. In preparation for this and to support plans to ensure local sufficiency to deliver the entitlements and wraparound the DfE are monitoring national readiness for implementation. A LA readiness self-assessment is completed on a termly basis to help the DfE understand where support for LAs may be needed going forward and to ensure delivery plans will be in place.
25. The Early Years Team works closely with the DfE and its strategic partner to update on progress, learn from good practice and to escalate issues that require a national solution for local areas.

## **Recommendations**

26. The Committee is asked to note and comment on the contents of this report.

Reason: So that members are aware of the benefits, risks and challenges and appropriate mitigation measures.

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**Report  
Approved**

**Date** 10 January 2024

## Specialist Implications Officer(s)

N/A

**Wards Affected:** *List wards or tick box to indicate all*

**All**

**For further information please contact the author of the report**

## Background Papers:

*No background papers.*

## Annexes

Annex A – Early Years & Childcare Reforms Timescales

## Abbreviations

LA = Local Authority.

DfE = Department for Education.

CYC = City of York Council