

APPENDIX 1

REPORT TO CMT

DATE

REPORT OF DIRECTOR OF CHILDREN'S SERVICES

BUDGET CHILDCARE ANNOUNCEMENTS AND IMPLICATIONS

Purpose

To brief CMT's views on the childcare announcements in the March budget and outline some of the key implications for the Council and the sector.

RECOMMENDATIONS

CMT is asked to note this report.

Existing funding and provision for childcare

1. Currently, 30 hours / week of free childcare provision is available for working parents of 3/ 4 year olds.
2. Disadvantaged children can also access 15 hours free childcare per month.
3. Both of these entitlements remain.

Budget announcements

4. For working parents, the government will provide £4.1 billion by 2027/28 to fund **30 hours free childcare per week for eligible working parents** with children aged nine months up to three years.
5. Roll out of the entitlement will be phased over the next couple of years. 15 hours free childcare will be available to eligible working parents of two year olds from April 2024, and parents of children aged nine months up to two years from September 2024. The full 30 hours free childcare will be available from September 2025.
6. The Government is also **uplifting the hourly funding rate** paid to providers, to deliver the existing free hours offers in England, helping providers to manage cost pressures. The Government will provide £204 million in 2023-24, paid from September 2023, and £288 million in 2024-25:
 - a. 2yr funding rate increasing from £6/hr to around £8/hr (30% increase)
 - b. 3&4yr funding rate increasing from £5.29 to over £5.50/hr
 - c. The rate for under 2's from Sept 24 will be around £11/hr
7. There will also be a **change in staff-to-child ratios from 1:4 to 1:5** for 2 year-olds in England, to align with Scotland and other countries. This change will come into force from September 2023, subject to parliamentary procedure.
8. In recognition of both the importance and short supply of childminders, **incentive payments of £600 will be piloted from Autumn of this year for those who sign**

up to the profession (rising to £1,200 for those who join through an agency) to increase the number available and increase choice and affordability for parents.

9. **Schools and local authorities will be funded to increase the supply of wraparound care**, so that parents of school age children can drop their children off between 8am and 6pm – tackling the barriers to working caused by limited availability of wraparound care.
10. **Childcare costs** of parents moving into work or increasing their hours on Universal Credit **paid upfront rather than in arrears**, with maximum claim boosted to £951 for one child and £1,630 for two children – an increase of around 50%.

Why is Government making these changes

Childcare plays a vital role in enabling parents to work and supporting children's early development, which in turn improve economic growth.

Implications

11. Although this announcement is good news for parents it does come with issues for the sector and the Council.

For the sector

12. The sector is already under pressure as there is a recruitment and retention issue in the sector, so more children in childcare provision will exacerbate this.
13. Most providers are only able to be viable due to their reliance on fee paying parents, so offering more funded places will reduce their potential income as funding rates are based on the settlement the council receive from government and are not always enough to cover costs and profit margins, where applicable. Providers, therefore, may increase their rates to try and offset lost income, so potentially parents will be paying significantly more for hours purchased outside of their funded 30 hours.
14. The Chancellor stated there would be an average of 30% increase to the 2 year old rate this year. It is reported that the 2 year old rate was increasing from £6 to £8 and hour and the 3&4 year rate was increasing from £5.29 to £5.50 per hour (a 4% increase).
15. We currently have sufficient childcare places to meet demand but providers are already struggling and are looking at making staff redundancies and there is the potential for some providers to close. Quality is being impacted as there are not enough high quality, qualified staff available to work in the sector, some providers are relying on agency staff and we starting to see some poor Ofsted inspections. Providers struggle to attend training as they do not have backfill to release staff. Some are having to limit available childcare places as they do not have enough staff to meet staff:child ratios. Because of high staff turnover or use of agency staff there's continuity and quality can suffer. Early Years Team are visiting some settings on a weekly basis to improve the quality of settings of concern or who have received a 'requires improvement' Ofsted grading. Several providers have contacted the team about low numbers impacting on their sustainability and have asked if sustainability funding is available to support them or for rate relief to reduce their overheads, as this can be a significant amount. This is a potential focus for further business support work.
16. It will be difficult to forecast the potential number of eligible children that will require a 15/30 hour funded place as funding is awarded to working parents and those that could be eligible may not yet have decided whether they will start working. What providers will know is the number of 2 year children already attending their setting

and potentially could move from a fee paying place to a funded place. Parents are consulted as part of the childcare sufficiency assessment so intelligence will be gathered to try and project the potential number of funded places required going forward.

17. We need to consider what additional support there will be for younger children with SEND where parents intention is to access a funded place. The Inclusion Fund currently provides additional funding for children aged 2 and above. It is not yet clear if this funding remains.
18. The change from 1:4 to 1:5 for the staff to child ratios for 2 year old children, will not necessarily provide a benefit to providers as the majority will retain a 1:4 ratio as this age group can be quite challenging.
19. The childminder start-up grant is not a new initiative, the scheme has been in place in previous years, although quite a while ago. There has been a steady decline in the number of childminders since the pandemic. Pre pandemic there were 167 childminders operating in Stockton currently there are 119, a 28.75% reduction. There are several reasons that childminders are leaving the sector; they feel undervalued; the impact of Covid; retiring early; and the amount of paperwork to meet inspection requirements and the early years foundation stage.
20. In terms of the wrap around support, where schools and LAs will receive funding to introduce wraparound care from 8am to 6pm, this appears to be similar to the previous Extended Schools initiative. The government will be investing £289m over two academic years from Sept 2024, to enable schools and local areas to set up wraparound childcare provision. They expect that most schools will be able to deliver provision that is self-financing and sustainable by Sept 2026.
21. 34 primary schools already provide a breakfast club and 24 provide an after school club, though only 6 offer it until 6pm. 11 PVI's (private / voluntary / independent providers) are on school sites offering before and after school provision and there are also offsite PVI's and childminders offering wraparound childcare.
22. The announcement of providing childcare funding upfront to those moving into work on universal credit means parents won't struggle to meet childcare costs while they wait to be paid their first salary. At this point we don't know how this will operate i.e., will providers be paid direct from government or will parents receive the funding direct and then pay childcare providers.
23. There will be an increase in workload for providers as there will have to claim funding for more children. We are also changing our own systems or providers. Along with the implementation of a new system (EYEs) which they will not be used to.

For the Council

24. There will be capacity issues for the team to manage these new initiatives. The team is small (2.81FTE) and increasing the number of funded children creates more work for the headcount process, where payments are made to providers for funded children. There will be an increase in enquiries from parents in relation to funded places. Payment of start-up grants to childminders will also be additional work – these are new burdens and should be subject to a new burdens assessment from Government.
25. There will be additional work in supporting schools to develop an 8am to 6pm provision, including staffing and space issues.
26. There is also uncertainty with the full roll out of 30 hours funded childcare as it is due to be implemented in Sept 2025 which will be after the next general election.

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