

To: **Schools Forum**  
**22 June 2023**

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**Changes to the early years free entitlements**  
**Director of People**

**1. Purpose of Report**

- 1.1. To seek agreement from Schools Forum on the principles for allocating the announced increase in funding to the elements of the Early Years Block Budget
- 1.2. To ratify the process for supporting business development to secure sufficient sustainable Early Years and Childcare provision.
- 1.3. To update Schools Forum on the potential impact of the expansion of early years free entitlements included in the governments budget announcement of 15 March 2023.

**2. Recommendation(s)**

**To AGREE that in accordance with the views of the Early Years Forum:**

- 2.1. **The announced increase in Early Years Block funding is allocated in accordance with the principles set out in paragraph 5.4 and 5.5**
- 2.2. **The process for supporting business development to secure sufficient sustainable Early Years and Childcare provision as set out in paragraph 5.10 to 5.14 is ratified.**

**To Note:**

- 2.3. **The potential impact of the expansion to the early years free entitlements on early years provision in Bracknell Forest as set out in paragraph 5.6 to 5.9.**
- 2.4. **Revisions to the 2023-24 Early Years Block Budget proposals and funding rates to be allocated to the Early Years Funding Formula will be presented for comment in September**

**3. Reasons for Recommendation(S)**

- 3.1. The proposals set out in the paper are in line with the information currently available to the Council regarding the financial settlement for 2023-24, statutory guidance, local priorities, and the views of the Early Years Forum

**4. Alternative Options Considered**

- 4.1. Alternative options are detailed in the supporting information

**5. Supporting Information**

Early years block funding

- 5.1. On 12 January 2023 School Forum agreed arrangements for the Early Years Block element of Dedicated Schools Grant that the Department for Education

allocates to Local Authorities to fund provisions and support for children up to the age of 5.

- 5.2. In the Spring budget published on 15 March 2023, the Government announced changes to early years and childcare entitlements to support working parents. The intention is to roll out the changes in stages from Autumn 2023 to September 2026.

The changes include:

- **Entitlements:** Working parents in England will be able to access 30 hours of free childcare per week, for 38 weeks of the year, from when their child is 9 months old to when they start school. The hourly rate will also increase for providers and support the workforce.
- **Wraparound:** The government will invest £289m over two academic years, from Sept 2024, to enable schools and local areas to set up wraparound childcare provision.
- **Market reforms:** including more choice for childminders and changes to the EYFS requirements, to improve flexibility for providers and support the workforce.
- **Changing staff:child ratios** from 1:4 to 1:5 for two-year-olds in England to align with Scotland and provide greater flexibility for providers.
- **Childminder grants:** to attract people to childminding, with £1200 for those who register with a childminder agency and £600 for those who register with OFSTED.
- **Universal Credit reforms** will pay childcare support up-front when parents move into work or increase their hours and increase the monthly re-imbursment caps.

Timescales at present are:

**Autumn 2023:**

- Childminder grants become available
- Increase in 2/3/4 year old funding rates
- Staff:Child 2 year old ratio change

**April 2024:**

- Introduction of 15 hours for working parents of 2 year olds
- Increase of funding rates for 2/3/4 year olds

**September 2024:**

- National wraparound support begins
- Introduction of 15 hours for working parents of children 9 months plus

**September 2025:**

- Introduction of 30 hours for all working parents of children from 9 months to primary

**September 2026:**

- All schools to offer 8am-6pm wraparound on their own or in partnership

- 5.3. Included in the budget announcement was an additional £204 million in funding for free entitlement places for 2, 3 and 4 year olds from September 2023. This

funding increase will require a revision of the agreed 2023-24 Early Years Block budget and the funding rates allocated in the Early Years Funding Formula. To date the Department for Education has not confirmed the change in funding rates to Councils for 2023-24, however an announcement is expected by the end of the summer term.

- 5.4. Despite the absence of key funding information for 2023-24, it is important to commence budget planning now and the proposals presented directly below are informed by feedback from the Early Years Forum:
- a) The components of the Early Years Funding Formula for 2023-24 as previously agreed will be retained.
  - b) The Early Years Block Budget for 2023-24 will be allocated using the following principles:
    - i) 95% of total income allocated to providers via the Early Years Funding Formula
    - ii) The increase in the Early Years Block budget is allocated to providers via the uniform base rate
    - iii) 5% of total income managed centrally by the council
- 5.5. Subject to the release of relevant information by the DfE, the revised 2023-24 Early Years Block Budget and funding rates to be allocated to the Early Years Funding Formula, together with highlight changes to provider funding rates will be presented to Schools Forum for comment in September.

#### Impact of the expansion to the free entitlements

- 5.6. The Spring budget announcement included an expansion of the early years free entitlements to working parents of children from 9 months. Data from the National Online Manpower Information System (NOMIS) indicates that approximately 78% of Bracknell Forest residents aged 16-64 are employed. This does not however indicate how many of these residents have children who are eligible for the current entitlements or the proposed extension.
- 5.7. The DfE has not provided details regarding the administration of the expanded entitlements and how eligibility for these entitlements will be determined. The expectation is that these will be similar to the arrangements currently in place for the extended entitlements for 3 and 4 year olds.
- 5.8. The DfE has not announced details of the increases in funding for Councils for 2, 3 and 4 year olds from September 2023, April 2024 or for the expanded entitlements.
- 5.9. In preparing for the expansion of the free entitlements the Council is considering the following potential impacts on early years provision in Bracknell Forest:
- a) Insufficient capacity in the early years market to meet the additional demand for free places.
    - i) Excess capacity in the early years sector is currently low
    - ii) It is anticipated that additional capacity will be required to meet the demand for the expanded entitlements
    - iii) It is not clear if funding will be available to support expansion in the market.
    - iv) The Council is aware of early years settings that will close at the end of the summer term 2023 due to financial sustainability and staffing issues.

It is not yet known if these settings will be replaced. The impact of these closure on available early years places in Bracknell Forest is therefore unclear.

- b) Financial sustainability of early years providers
  - i) Financial sustainability of early years providers is a concern with the current arrangements for free entitlements.
  - ii) Expanding free places will reduce fee paying hours available to providers, reducing income from fees which are used to offset the difference between the cost of providing free places and the funding received for those places.
  - iii) We do not know if funding rates for the expanded entitlements will be sufficient to cover the cost of provision.
- c) Capacity in the Early Years team to administer the free entitlements, with the expansion in the entitlements expected to impact on:
  - i) administration process for payments
  - ii) support required by providers
  - iii) queries from parents and carers
  - iv) ensuring compliance with the statutory guidance
- d) Capita ONE, the software used to administer payment of the free entitlements will require updating
  - i) Bracknell Forest Council is dependent on Capita to implement the necessary updates
  - ii) Initial discussion indicated that Capita had not received information from the DfE regarding the required update
  - iii) Testing updates of this size will impact significantly on the capacity of the Early Years Team
  - iv) The deadline for implementing updates is February 2024 to ensure funding for the summer term 2024 is paid within published deadline.
  - v) No change to Capita ONE software is required for the September 2023 funding increase

#### Supporting business development

- 5.10. Early years funding data and feedback from providers, parents & carers evidences a change in demand for early years and childcare locally since the pandemic. These changes include increases in:
  - a) Demand for flexible packages of care
  - b) Parents accessing the extended entitlement
  - c) Families travelling further to access the childcare they need
- 5.11. Settings are struggling financially, with some needing to make a change to their business model in order to meet the changes in the market and remain sustainable. However, with limited reserves and resources, settings are unable to implement the necessary changes without support and reassurance from the Council.
- 5.12. The Council has a duty to ensure parents are able to work because childcare places are available, accessible and affordable and are delivered flexibly in a range of high quality settings. (*Childcare Act 2006 and Childcare Act 2016*)
- 5.13. In line with these duties and in response to the changes in the local market the Council introduced a policy to support providers to develop their business where

this was in line with the Councils duty to secure sufficient sustainable early years and childcare provision. The policy is attached as Annex A

- 5.14. As it was necessary to provide support ahead of the June 2023 Schools Forum meeting, the policy was provisionally agreed by the Schools Forum Chair, Vice Chair and Early Years PVI representative. Ratification of the policy is now sought from the full School Forum.
- 5.15. To date the Council has worked with two providers and agreed £43,000 in additional financial support, although actual expenditure is forecast to be less than the total agreed. A total of £103k has been allocated to support providers in 2023/24.

**6. Consultation and Other Considerations**

Legal Advice

- 6.1. The relevant legal provisions are contained within the body of the report

Executive Director: Resources

- 6.2. The Executive Director: Resources is satisfied that the proposals within the report for managing the expanded Early Years offer can be met from within the additional funding to be allocated by the DfE. The proposals to support providers in financial difficulty are considered appropriate. The cost of support provided is likely to vary considerably year on year depending on market conditions.

Other Consultation Responses

- 6.3. The Early Years forum met on 17 May 2023 and agreed the principles for allocating the announced increase in funding to the elements of the Early Years Block Budget and the process for supporting business development to secure sufficient sustainable Early Years and Childcare provision.

Equalities Impact Assessment

- 6.4. No Equalities Impact Assessment is required as the proposed changes implement statutory guidance which includes eligibility criteria

Strategic Risk Management Issues

<b>Risk</b>	<b>Level of risk</b>	<b>Impact</b>	<b>Mitigation</b>
Unable to predict additional childcare places required and/or secure sufficient places		Parents are unable to secure the childcare they need and are entitled to	Work with existing and potential providers to develop business models so supply meets demand
Capita One not updated to manage additional requirements		Business continuity will be threatened	Ongoing communication with Capita to ensure systems are updated and fit for purpose

Business team unable to process additional queries/payments due to capacity		Providers do not receive their payments causing financial hardship	Recruit additional staff to meet demand
Changes result in further closures due to financial constraints		BFC fails in its duty to ensure sufficient childcare places to meet the needs of working parents	Early support for providers struggling financially to support business planning, marketing and promotion of the service
In trying to remain sustainable, providers do not adhere to the statutory guidance and local provider conditions of funding		Parental complaints to Ombudsman due to lack of provider compliance	Frequent compliance checks are completed but further capacity within the team would be required

#### Climate Change Implications

- 6.5. The recommendations in Section 2 above are expected to have no impact on emissions of CO<sub>2</sub>.

#### Background Papers

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/718179/Early\\_education\\_and\\_childcare-statutory\\_guidance.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718179/Early_education_and_childcare-statutory_guidance.pdf)

Early education and childcare statutory guidance for local authorities - June 2018

<https://educationhub.blog.gov.uk/2023/03/16/budget-2023-everything-you-need-to-know-about-childcare-support/>

Budget 2023: Everything you need to know about childcare support

#### Contact for further information

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## Supporting business development to secure sufficient sustainable Early Years and Childcare provision

### Statute:

#### **Childcare Act 2006. Section 6**

Duty to secure sufficient childcare for working parents (or parents in education/training)  
*To require local authorities to ensure there is childcare available to enable parents to take up or remain in work or to undertake education or training to assist them in obtaining work.*

#### **Childcare Act 2006 Section 7, as amended by Education Act 2011 Section 1**

Duty to secure prescribed early years provision free of charge  
*To ensure that all children under school age, as described in regulations or in guidance from the Secretary of State, can access free nursery education.*

#### **Childcare Act 2006 Section 11**

Duty to assess childcare provision  
*To ensure local authorities undertake an assessment to childcare provision in their area to enable them to meet their duty to secure sufficient childcare for working parents (s6 Childcare Act 2006)*

#### **Childcare Act 2006 Section 13**

Duty to provide information, advice and training to childcare providers, and prospective providers.  
*To ensure that local authorities give local childcare providers and would-be providers in their area the necessary support to help deliver sustainable affordable and high quality childcare that meets the needs of the community.*

[Early education and childcare \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

### Part B- Securing sufficient childcare

Outcome: parents are able to work because childcare places are available, accessible and affordable and are delivered flexibly in a range of high quality settings.

To secure sufficient childcare places, local authorities are required by legislation to:

B.1 Secure sufficient childcare, so far as is reasonably practicable, for working parents, or parents who are studying or training for employment, for children aged 0-14 (or up to 18 for disabled children).

### **Current situation:**

- There has been a change in demand for early years and childcare locally since the pandemic
- Families are requiring flexible packages of care
- There has been an increase in parents accessing the extended entitlement
- Families are travelling to access appropriate childcare where local flexible childcare is not available
- Settings are struggling financially and unable to take a leap to change their business model without some support and reassurance from the LA.

**Proposal:**

- Potential for financial support for settings where some or all of the below can be evidenced:
  - There is a real concern that the setting may close if the business model does not change. Financial hardship evaluated through an 'open book' process that includes completion of a Sustainability Funding Claim Form and providing copies of current bank statements.
  - There is evidence that there is a need for a different model of early years and childcare in the local area
  - The provider is working in partnership with the LA to secure sufficient free entitlement early years and childcare places
  - There is evidence that families are unable to access the entitlements without looking outside their local area
  - The provider produces a business plan, indicating break even point, how they are going to advertise, details of current financial situation and why support may be required
  - Sufficiency data indicates there is insufficient good quality, flexible childcare to meet the needs of working parents within reasonable walking distance of the provider (maximum 1km)
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**Process:**

- Provider will have been working with the Early Years team to explore options and determine local need.
- LA and provider determine the business plan change is appropriate
- Provider submits application
- Early Years team assess the application and allocate costs to free entitlement and fee paying children
- Early Years team assess level of support to develop and/or secure free entitlement places and support the LA's delivery of the duties detailed above
- Sufficiency data indicates that should the provider cease to operate the LA would be unlikely to meet the duty to secure sufficient local free entitlement places
- Early Years consider the application and raise any further questions with the provider
- Consideration will be given to the 'gaps identified in the business plan and that providing financial support will support the setting to become sustainable and the LA to have sufficient free entitlement places
- Support is agreed by AD for Education and Learning
- Clear and transparent monitoring arrangements are put in place with the provider
- 6 weekly meetings are convened to review progress and reassess level of support required, including leadership support to promote the setting and maximise income
- The agreement is transparent and time limited (maximum of 3 terms or until breakeven point is reached, whichever is sooner) the council will determine the maximum support available prior to any agreement with the setting, based on the business model and amount of change required to develop a sustainable model.