

CHILDREN & YOUNG PEOPLE'S CABINET MEMBER MEETING

Agenda Item 40

Brighton & Hove City Council

Subject:	Two Year Old Early Education Entitlement		
Date of Meeting:	Children and Young People Cabinet Member Meeting Monday 5th March 4 pm		
Report of:	Terry Parkin		
Contact Officer:	Name:	Vicky Jenkins	Tel: 296110
	Email:	vicky.jenkins@brighton-hove.gov.uk	
Key Decision:	Yes/No	Forward Plan No: CYP 26969	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 Disadvantaged two year olds have received free early learning since September 2009. The government is now extending this entitlement as a statutory duty to 20 per cent of two year olds from September 2013 with a proposed increase to 40 per cent from September 2014. This paper sets out initial proposals for Brighton & Hove to increase the number of two year old children accessing free early learning starting from April 2012, so that 20 per cent of children are in a place by September 2013, with a view to increasing numbers from September 2014.
- 1.2 This report outlines the likely cost of this provision as well as its impact on childcare providers, and sets out a plan to increase numbers gradually across the city's children's centre areas.

2. RECOMMENDATIONS:

- 2.1 To agree the strategy to gradually increase the number of two year olds offered free childcare starting from April 2012 to reach 600 by September 2013 and to increase the hourly rate from £4.85 to £5 an hour.
- 2.2 To agree to sustain existing, good quality voluntary sector childcare providers in areas where additional places will be needed.
- 2.3 To note the financial risk of the additional revenue funding needed to meet the statutory duties (estimated to be over £1m in 2013/14), and possible capital implications if it is decided to increase provision in certain areas of the city.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The government aims to support children's development by encouraging higher quality provision and maximising participation, particularly for disadvantaged and disabled children. "The importance of the first few years of a child's life cannot be overstated. Children who have the right support in the foundation years enjoy better health, wellbeing, and achievement in school and later life."¹

¹ *Supporting Families in the Foundation Years: Proposed Changes to the Entitlement to Free Early Education and Childcare Sufficiency*, Department for Education.

- 3.2 Since September 2009 the government has funded disadvantaged two year olds in a free early learning place, initially through ring-fenced funding as part of the Sure Start grant. The original grant paid a set rate of £4.85 per hour to childcare providers, and also included funding to for administration and family support.
- 3.2 The entitlement is currently for 10 hours a week for 38 weeks a year. Eligible children are those with parents in receipt of defined means-tested benefits, *and* identified by their health visitor as in need of a place. Places are allocated by children's centre area² and each team prioritises children within this quota.
- 3.3 Eligible providers must meet prescribed quality criteria, and there are currently 42 settings (including childminders) contracted to provide places. About half the children currently funded are attending children's centre nurseries.
- 3.4 The government is currently consulting on the definition of disadvantage. In order to identify the 20 per cent most disadvantaged two year olds the proposal is to use a benefits entitlement measure similar to free school meals and to offer places to looked after children. The government estimates that currently 600 children would qualify in Brighton & Hove. The government has not yet proposed eligibility criteria for the national 40 per cent figure and so it is not clear how many children would qualify in the city, though if it was 40 per cent of two year olds this would amount to approximately 1,200 children.
- 3.5 Since April 2011 the funding has been included in the Early Intervention Grant (EIG) which means local authorities can decide their own priorities. We have continued to pay providers £4.85 an hour (childminders are paid £5.00 an hour because of their lower ratios) but have increased the numbers of children funded in settings from 104 to 135, with the same eligibility criteria. We are proposing to increase the rate paid to all providers to £5.00 per hour from April 2012. This compares with the minimum rate of £3.90 paid to providers for three and four year old places. The staff ratio for two year olds is twice that for three and four year olds (for two year olds one staff member:four children, and for three and four year olds one staff member:eight children). This increase in the rate should make the scheme more attractive to private providers than it has been to date.
- 3.6 The Chancellor announced in his November 2011 autumn statement that the entitlement will be extended through a phased approach, with 20 per cent of two year olds eligible from September 2013, and 40 per cent eligible from 2014. The two year old entitlement will become a statutory duty from September 2013.
- 3.7 The original funding amount for Brighton & Hove was as follows:
- | | |
|----------------|-----------------------|
| 2009/10 | £201,144 ³ |
| 2010/11 | £266,672 |
- 3.8 For **2011/12** £266,670 was allocated to the scheme from the EIG. This was used solely to fund childcare places and inclusion support while administration and outreach were funded from within existing resources, enabling an increase in the number of funded children from 104 to 135.

² The existing number of funded children is based upon the level of disadvantage in the area, using the Income Deprivation Affecting Children Index (IDACI). Details are in Appendix 1 Proposed increase in funded two year olds by children's centre area from April 2012 to September 2013.

³ Part year funding as scheme started in September 2009.

3.10 For **2012/13** the council budget proposals did not include an increase in funding for two year olds. However, following an additional allocation in the autumn statement the council now has a budget of £548,070 which will make it possible to increase the number of funded children to 199 by the end of March 2013.⁴

3.11 It is not yet clear how the government's total funding of £534m for **2013/14** will be allocated by local authority. However the following table shows indicative amounts and indicates that there will have to be a substantial increase from 2013/14 onwards in order to meet the cost of providing childcare places for up to 600 and then 1,200 children. This will result in a significant additional demand on the EIG.

	2011/12	2012/13	2013/14	2014/15	2015/16
Original national allocation	64,000,000	223,000,000	331,000,000	380,000,000	
Additional amount announced in November 2011 autumn statement	0	73,000,000	203,000,000	380,000,000	
Total national allocation	64,000,000	296,000,000	534,000,000	760,000,000	
Theoretical Brighton & Hove share (0.4% of national allocation)		1,184,000	2,136,000	3,040,000	
Brighton and Hove actual budget	266,670	548,070			
Number of children this amount can fund by end of year		199			
Cost of funding 600 children part year			1,605,025		
Cost of funding 1,200 children part year				3,000,000	
Cost of funding 1,200 children full year					3,585,000

3.9 The government is currently consulting on how funding for two year olds should be given to local authorities in future, possibly through the Direct Schools Grant, as is the case with funding for free early learning for three and four year olds. It would then be likely that the EIG will be reduced by the national allocations.

3.10 We have an excellent range of private, voluntary and local authority-run childcare, and sufficient two year old places in good quality settings, including with network childminders, for the 135 two year olds we currently fund. Because of space in children's centre nurseries and in some playgroups, as well as the availability of childminders, an increase in numbers from April 2012 is likely to be achievable.

3.11 However, a further increase in numbers from September 2012, along with an increase in hours offered per week from 10 to 15 (meaning one third more hours will be needed per funded child) will be harder to achieve, and the significant increase to reach the 20 per cent target by September 2013 is unlikely to be possible without

⁴ Based on a stepped increase in the number of children funded and the number of hours for which they are funded.

some development of the sector in areas of high eligibility/demand. The government has not yet announced any capital to support this expansion⁵ and appears to expect the market to respond. Private providers in less disadvantaged areas of the city may be able to adapt in response to demand; however, as the scheme is focussed on more disadvantaged children, places are needed in less affluent areas where the market is less buoyant. It will be important to maintain the sustainability of settings in these areas pending an increase in funding so that they can take additional children as eligibility increases. In addition, some adaptation may be needed to existing provision to make it more suitable for two year olds with consequent capital implications.

- 3.12 An analysis of where additional places for two year olds may be needed, taking into account existing provision, vacancy levels⁶ and eligibility/demand⁷ will be undertaken in order to plan support for and adaptation of existing provision and also future provision. Development may be dependent upon whether the government offers any capital. If this is not forthcoming the only option may be for parents to travel from their local area to other areas of the city where places are available (likely to be from East Brighton to other areas of Brighton & Hove).
- 3.13 To date the scheme has improved the sustainability of voluntary sector providers and children's centre nurseries. Private sector full day care nurseries have been less interested because of the rate paid and their pattern of provision.⁸ However, with an increase in the offer to 15 hours a week and the rate to £5.00 an hour, they may be more willing to take children under the scheme. There are currently seven childminders contracted to provide places, although at the time of writing none have funded children.⁹ There are at present 26 network childminders all with potential to join the scheme and offer funded places.
- 3.14 The government is currently consulting on provider quality criteria for inclusion in the scheme. A national quality criterion is likely to be that only providers rated as good or outstanding by Ofsted will be eligible to offer places. In Brighton & Hove 93 per cent of early years settings and 81 per cent of childminders¹⁰ have this rating and so should this situation continue it is unlikely that many settings will be ineligible. The government is also suggesting local discretion, in which case we are likely to require providers to have gained quality assurance modules covering two year olds and to have an early years professional in place.
- 3.15 When a significant number of two year olds access free early learning in the non-maintained sector it is possible that parents will not want to move their child to a school nursery class once they become three, thereby having an impact on school nursery classes. At present there are very few schools with space available to develop into separate provision for two year olds, even if governors should wish to do this. However, there may be space in the primary schools in Whitehawk and Moulsecoomb where eligibility/demand will be greatest, though adapting these schools will take capital which has not yet been committed by the government.

⁵ However, without committing to any capital funding, it did email all local authorities earlier this month asking for information on likely undersupply.

⁶ Data from Brighton & Hove's *Childcare Sufficiency Assessment*, March 2011.

⁷ Eligibility based upon levels of disadvantage in children's centre areas as measured by the number of children living in poverty, and demand based upon 90 per cent of eligible parents taking up their entitlement.

⁸ £4.85 is often less than the fee charged by private providers, and because they offer year-round care the 10 hours per week pro-rated to 50 weeks a year is 7.6 hours a week, which does not easily fit in with providers' sessions.

⁹ This partly due to parental preference but partly because of the way in which the scheme runs for a very small number of children.

There are some children under two currently funded with childminders as part of the children's centres' respite programme.

¹⁰ Childminders will also have to be a member of the Brighton & Hove network.

- 3.16 The proposal to gradually increase numbers funded of two year olds from April 2012 is set out in Appendix 1. In summary the existing number will be increased by 18 per cent from April 2012, and then by 25 per cent from September 2012.¹¹ There is a further increase in April 2013 and in September 2013, so that by this last date all those likely to be eligible will be offered a place, amounting to 605 children across the city. Further staged increases will need to be developed to increase numbers to 1,200 children by September 2014.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 The government's consultation documents about funding for two year olds have been highlighted to childcare providers in the city. The consultation was also discussed with the Early Years Funding Group. Further community engagement and consultation will be planned in preparation for the substantial increase in places needed by September 2013.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

The new statutory responsibilities outlined in this report will have significant budgetary implications. The current budget available for two year old early education entitlement is £0.548m, which is sufficient to support 199 children. The proposals are still in consultation and it is not yet known how and at what level any additional funding from the government will be distributed to local authorities. The table within the report in paragraph 3, identifies the estimated potential increase in costs over the period 2012-2015. Using the estimated numbers provided within the consultation information and taking account of likely increased costs for support for inclusion and administration, additional funding of £1.057m would be required in 2013/14 potentially rising to £3.037m in future years. There is also a possibility that an increase in the number of 2 year old placements in the city will be necessary. As identified in paragraph 3.12 in the report, any expansion of placement numbers may need significant capital investment and it is still unclear whether any additional government support for this would be available.

Finance Officer Consulted: David Ellis

Date: 25/01/12

Legal Implications:

- 5.2 Section 7 of the Childcare Act places a duty on English local authorities to secure free early years provision. Regulations made under section 7 set out the type and amount of free provision and the age of children to benefit. Local authorities are required to ensure they meet their duties under the Equality Act 2010 when securing free early education places.

- 5.3 From September 2013 the government will extend the statutory duty of local authorities to provide free early learning to disadvantaged two year olds to apply to the most disadvantaged 20 per cent of two year olds, with a proposed increase to 40 per cent from September 2014. The definition of disadvantaged is under consultation.

Lawyer Consulted: Natasha Watson Date: 22.02.12

Equalities Implications:

¹¹ There is a larger proposed increase in September 2012 because this is the time of year when providers have the greatest number of vacancies because of older children leaving to start school.

The scheme will improve the outcomes of disadvantaged two year olds including those living on benefits and looked after children. A full equalities impact assessment will be carried out prior to expansion of the scheme. Local authorities must ensure they meet their duties under the Equality Act 2010 when securing free early education places.

Sustainability Implications:

- 5.4 The scheme will support sustainable communities by reducing poverty as it will reduce the childcare costs of parents of two year olds on benefits who wish to work.

Crime & Disorder Implications:

- 5.5 No implications.

Risk and Opportunity Management Implications:

- 5.6 Meeting the statutory duty to fund places for 20 per cent of two year olds from September 2013 and 40 per cent from September 2014 will require considerable extra funding. It is not yet clear how much additional funding will be made available by the government. It is also likely that new early years provision will be needed to meet the 20 per cent target in the most disadvantaged areas of the city. No additional capital funding has been announced.

Public Health Implications:

- 5.7 The scheme will support the health and well being of young children and have a positive impact on inequalities by improving outcomes for the most disadvantaged two year olds.

Corporate / Citywide Implications:

- 5.8 The scheme will contribute to the council's corporate priority of tackling inequality and will support the outcome to ensure that children have the best start in life. The scheme will improve the financial sustainability of childcare providers in disadvantaged areas.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 None considered.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 To ensure that the council can meet the statutory duty to make available sufficient free places of 570 hours a year over no fewer than 38 weeks of the year for every eligible disadvantaged two year old child in their area from September 2013.

SUPPORTING DOCUMENTATION

Appendices:

1. Proposed increase in funded two year olds by children's centre area from April 2012 to September 2013
2. Current pattern of use of funded childcare by children's centre area

Documents in Members' Rooms

Background Documents

1. Childcare Sufficiency Assessment March 2011