

<b>Subject:</b>	<b>Two Year Old Free Early Learning Entitlement</b>		
<b>Date of Meeting:</b>	<b>12<sup>th</sup> November 2012</b>		
<b>Report of:</b>	<b>Interim Director of Children's Services</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Vicky Jenkins</b>	<b>Tel: 296110</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 Disadvantaged two year olds have received free early learning since September 2009; this currently applies to around seven per cent of two year olds in Brighton & Hove. The government is extending this entitlement as a statutory duty to 20 per cent of two year olds from September 2013 (600 children in Brighton & Hove) and 40 per cent from September 2014 (1,300 children). This paper updates proposals regarding this provision which were set out in a paper to the Children & Young People's Cabinet Member Meeting on 5<sup>th</sup> March 2012. It draws the committee's attention to significant risks associated with the statutory duty, both financial and in relation to the provision of places. It also draws the committee's attention to the Childcare Sufficiency Assessment, completed in May 2012, which sets out current childcare supply in Brighton & Hove.

#### 2. RECOMMENDATIONS:

- 2.1 That the committee notes the revenue funding required to meet the duty to provide free childcare places for up to 1,300 two year olds, and that revenue will come from the Dedicated Schools Grant, the amount of which is not yet known. However, this move to the DSG is likely to mean a significant reduction in the Early Intervention Grant for 2013 – 14.
- 2.2 That the committee notes the Childcare Sufficiency Assessment. Data from this indicates that across the city there are enough places for two year olds in September 2013, but there are insufficient places in the areas where they are needed. The city does not have enough places for the expanded offer in September 2014. There is not sufficient capital funding available for the local authority to expand places, and it is unlikely that private, voluntary and independent providers will respond by increasing places where needed.

#### 3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

##### Introduction and Eligibility

- 3.1 The government aims to support young children's development by encouraging high quality early years provision and maximising participation, particularly for disadvantaged and disabled children. Since September 2009 the government has funded the most disadvantaged two year olds in a free early learning place. In Brighton & Hove this funding now supports up to 218 children to receive 15 hours of early learning 38 weeks per year (a total of 570 hours per year).

- 3.2 Eligible children are those with parents in receipt of prescribed means-tested benefits *and* identified by their health visitor as in need of a place.
- 3.3 Eligible childcare providers must meet quality criteria, and there are currently 46 settings (including childminders) contracted to provide places.
- 3.4 From September 2013 provision of free early learning for eligible two year olds will become a statutory duty. From this date eligible families will be those in receipt of out of work benefits, and the entitlement will cover an estimated 600 children in Brighton & Hove. From September 2014 eligibility will be extended to include low income working families and will cover 1,300 children in the city. The government is currently consulting on also including more disabled children and those who leave care through adoption.

### **Provision of Childcare Places**

- 3.5 The council has a statutory duty to complete a Childcare Sufficiency Assessment and the main findings of the latest assessment are in Appendix 1 with the full CSA in members' rooms. The CSA shows the number of childcare places available in the different areas of the city, and data from this has been used, along with child poverty data, to show where place expansion will be needed.
- 3.6 In order to provide places for children in their local communities, some expansion will be needed for September 2013, and then significant extra places will be required to provide for all eligible children from September 2014. Most additional places will be needed in Moulsecoomb, Whitehawk and the city centre.
- 3.7 The government has recently announced £100m capital funding to expand childcare provision. There is no information on when this will be made available or how it will be allocated by local authority. However, should it be allocated per place Brighton & Hove could receive approximately £400,000. There is also some funding within the EIG this financial year which will be used for place expansion (see Paragraph 3.9). This funding is insufficient to provide the additional places needed. Also there is no immediately identifiable site to provide more places in Whitehawk, where the greatest increase in provision is needed.
- 3.8 The government believes that the private, voluntary and independent sector will respond to increased demand. However, the childcare sector in general is averse to financial risk and very few providers carry significant cash reserves, assets, loans or debts. The private sector is still reasonably buoyant but these settings are located in more advantaged areas and are targeted at working parents and unlikely to provide places in significant numbers. The voluntary sector may be able to respond if capital funding is provided.
- 3.9 Places are, and can continue to be, provided by childminders, and we work will continue to expand provision by them. However parents tend to prefer nurseries or playgroups, and also there are fewer childminders operating in areas of the city where the places are needed.

- 3.10 The EIG funding currently available in this financial year will be used to develop childcare places where possible, and to improve settings so that they best meet the needs of two year olds. This work will be focussed on central Brighton as well as Moulsecoomb and Whitehawk.

### **Funding**

- 3.11 From April 2013 the DfE expects local authorities to have a funding formula in place to pay childcare providers for places. The formula may be similar to that used to fund providers for three and four year olds' free early learning at present although a simpler formula is being looked at which focuses solely on quality of provision. This would ensure that there is a minimum quality standard in order for providers to participate in the scheme, with increased payments for settings with higher levels of quality and improved staff qualifications.
- 3.12 It will be up to providers to decide whether or not they wish to offer places under the scheme, and a sufficient level of place funding needs to be in place in order for their to be an appropriate incentive to ensure that provision is of good quality.

## **4. COMMUNITY ENGAGEMENT AND CONSULTATION**

- 4.1 The Early Years Funding Group is being consulted on the funding formula.
- 4.2 An outreach and publicity strategy will be put in place from next spring so that eligible parents are aware of their entitlement.
- 4.3 Childcare providers have been made aware of the government's consultation documents on funding for two year olds. There will be a conference for childcare providers in March 2013 to launch the scheme and encourage them to meet the quality requirements through participation in a quality assurance module for two year olds.

## **5. FINANCIAL & OTHER IMPLICATIONS:**

- 5.1 The current budget available for two year old early education entitlement is £0.548m, which is sufficient to support 199 children. The estimated increase in take up of places will require additional funding, rising to £1.529m in 2013/14 and potentially as high as £3.000m in future years. The indication from the DfE is that the financial responsibility will transfer to the Dedicated Schools Grant and an estimated £2.136m will be added to the DSG in 2013/14 for this purpose.

The funding in 2012/13 forms part of the Early Intervention Grant (EIG), an un-ring fenced grant which is treated as a corporate resource. As part of the planned changes to local authority funding from central government, EIG will be top-sliced for government priorities and the funding for 2 year olds education entitlement. The latest estimates from CLG show a potential reduction of £3m in EIG with only a reduction in cost of £0.548m leaving a net funding reduction of approximately £2.45m. The Council will not know the likely funding allocations until the local government settlement in mid December. Any reduction in EIG will be treated as a corporate funding pressure and dealt with as part of the final budget package presented to Council in February 2013.

- 5.2 It is a possibility that there will be insufficient new capital funding available to the local authority to provide sufficient places in disadvantaged areas, as noted in Paragraph 3.7.

*Finance Officer Consulted: David Ellis*

*Date: 11/10/12*

Legal Implications:

Section 1 of the Education Act 2011 has amended the relevant provisions of the Childcare Act 2006 to extend the early education entitlement to two year olds who meet eligibility criteria laid out in the Local Authority (Duty to Secure Early Years Provision Free of Charge) Regulations 2012. As set out in the body of the report this new extended duty comes into force in September 2013.

*Lawyer Consulted: Natasha Watson*

*Date: 26/10/12*

Equalities Implications:

- 5.6 An Equality Impact Assessment is in the process of being completed was completed for extending the two year old scheme.

Sustainability Implications:

- 5.7 The scheme supports sustainable communities by reducing poverty as it will reduce childcare costs of parents on benefits who wish to work.

Crime & Disorder Implications:

- 5.8 There are no specific crime and disorder implications.

Risk and Opportunity Management Implications:

- 5.9 The main risks are  
5.9.1 a significantly higher amount of funding will be taken out of the EIG and moved into the DSG than is currently being spent on two year olds. This is outlined in Paragraph 5.3  
5.9.2 insufficient places, as noted in Section 3, particularly in the city centre and the east of the city.

Public Health Implications:

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

Corporate / Citywide Implications:

- 5.11 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 Provision of free childcare for two year olds will be a statutory duty from September 2013.

**7. REASONS FOR REPORT RECOMMENDATIONS**

- 7.1 The government has made provision of free childcare for two year olds a statutory duty from September 2013 and will move funding to support this from the EIG to the DSG.

**SUPPORTING DOCUMENTATION**

**Appendix:**

1. Childcare Sufficiency Assessment May 2012 Main Findings

**Documents in Members' Rooms**

1. Childcare Sufficiency Assessment May 2012

