



Report for:	Cabinet – 9 July 2013	Item Number:	
Title:	The Two Year Old Free Entitlement in Haringey: An Early Years Single Funding Formula for the Two Year Old programme		
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Ward(s) affected: All		Report for Key Decision	

1. Describe the issues under consideration

- 1.1 From 1st September 2013 all Local Authorities in England will have a statutory duty to fund free early education places for the 20% most disadvantaged two year olds using national prescribed criteria. This entitlement is being implemented in two phases: 2013 and 2014. The Two Year Old Programme in Haringey will mean providing access to a projected 882 two year olds from September 2013 for phase one of the programme and a further 800 two years olds from September 2014.
- 1.2 Funding for this programme is being provided by the Department for Education (DfE) on a notional basis. It is for local authorities, working with their School Forums, to decide how this is distributed locally. Each Local Authority is expected to implement a funding formula setting out the rate that will be used to fund settings for providing places for eligible two year old children.
- 1.3 This report provides information on a proposed funding formula which seeks to achieve an affordable, sustainable and viable outcome whilst also delivering sufficient, good quality early education places in the areas where they are needed.



This report also outlines the approach being taken in Haringey to the development and delivery of the programme.

- 1.4 The Government has recently consulted on proposed changes to the role of the local authority in early education and childcare. The outcome of this consultation is not yet known but is likely to have implications for the way the Local Authority delivers this programme and works with providers. To this end, there is currently a level of uncertainty around the requirements on the Local Authority which will not be known until Central Government publishes the outcome of the consultations. A further report will be submitted when the position around our statutory duties becomes clear.

2 Cabinet Member introduction

- 2.1 The Two Year Old programme is an opportunity to support the delivery of early help to our most disadvantaged children in Haringey. Through this programme, we will be able to provide access to good quality early education for some of our most disadvantaged children. This is a great opportunity to make a real difference to their lives.

3 Recommendations

This report recommends that:

- 3.1 Cabinet endorses the plans to expand the number of good, quality places for eligible two year olds in all types of provision ensuring that there are sufficient and sustainable places in Haringey from September 2013;
- 3.2 Cabinet endorses a two tier model that will support access to programme places for the most vulnerable children within the programme;
- 3.3 Cabinet notes the outcome of consultation with Schools Forum and other stakeholders;
- 3.4 Cabinet approves a flat rate formula, £5.18 an hour, to fund all new places from September 2013;
- 3.5 Cabinet approves payment of £5.74 an hour for each of the current 280 places for the autumn and spring terms in order to secure these places;
- 3.6 Cabinet endorses the criteria to be applied to the future use of the capital funding; and
- 3.7 Cabinet notes that officers will provide a further report on the delivery of early education in Haringey, including the two year old programme, following the outcome of current Government consultations on proposed changes to the role of Local Authorities in Early Education and Childcare, the statutory guidance for the delivery



Haringey Council

of the free entitlement for two, three and four year olds and once the subsequent requirements on the Local Authority become clear.

- 3.8 An Early Years Strategy will be completed and presented for Cabinet's consideration later in 2013.

4 Alternative options considered

- 4.1 None – this is a statutory requirement under the Childcare Act 2006

5 Background information

- 5.1 In September 2006 the then Department for Children, Schools and Families (DCSF) introduced a national pilot early education and family outreach offer to a small number of the most disadvantaged two year olds, based on a set of agreed criteria, in selected local authorities. The offer provided targeted two year olds with 15 hours of early education and access to support for their parents or carers. During the pilot phase the Department for Education (DfE) provided funding at an notional rate of £6 per an hour within a budget that could be used flexibly through the Early Intervention Grant (EIG) and allowed local authorities to set their own rates.
- 5.1 The national pilot ended in August 2012 and from September 2012, a national Two Year Old Programme was introduced. In Haringey, this provided access to places for 280 children.
- 5.2 From September 2013, all local authorities will have a statutory duty for to provide 15 hours per week of free early education for all eligible two year olds. Eligibility will be limited to those children whose parents would be eligible to claim for free school meals and to 'Looked After Children'.
- 5.3 The DfE have projected that in Haringey, 882 two year olds will become eligible for a place within the academic year September 2013 to July 2014.. This represents 22 % of Haringey's two year olds.
- 5.4 In the following academic year, (September 2014 to July 2015) the entitlement will be extended to a further 800 children (taking the total to 42% of Haringey's two year olds) from September 2014.
- 5.5 The guidance from DfE to date suggests that the role of Local Authorities is to ensure sufficient places are available for all eligible children. There is an expectation that the parents of eligible children have the option to choose which setting they would like their child to attend. One option, for delivery of this programme in Haringey, would be for all eligible parents to make an application for a place for their child. This implies a free market approach to the access and take-up of the two year old entitlements. The experience of delivering the three and four



year old free entitlement in Haringey is that many disadvantaged families are unlikely to apply and, as a result, additional targeting is being proposed.

5.6 This new statutory requirement poses three significant challenges for Haringey:

- ensuring there are sufficient good quality places to meet our statutory responsibilities;
- developing a funding formula that is able to sustain the required number of places within the agreed financial settlement, as the borough has a wide range of different providers charging a variety of rates for two year old early education places; and
- ensuring high levels of participation in the programme over the next two years. From April 2015, DfE will be funding the two year old programme through the Dedicated Schools Grant (DSG) on a participation-led basis, in line with the current funding arrangements for the universal three and four year old 15 hours per week free entitlement. Take up levels will need to be high in order to mitigate against potential reductions in future levels of DSG funding.

5.7 As part of the national expansion of this programme, the Government expects all Local Authorities to develop a local funding formula which will determine the rate at which free early education places are funded. Each Local Authority has been allocated funding within their Dedicated School Grant (DSG) to support the delivery of the two year old programme in their area. Total funding allocations were based on a notional amount per hour and reflect estimated populations of eligible two year olds. The options for the early years funding formula rest between a flat rate and differential rates (by category of provider) informed by consultations with potential providers to determine the supply of places resulting from alternative rates.

5.8 Government guidance about the delivery of the Two Year Old Programme, and the requirements placed on Local Authorities, continues to evolve. The DfE are currently consulting on the revised statutory guidance for the delivery of the free entitlement for two, three and four year olds. This means that we are planning for the expansion of places within an evolving national picture.

5.9 It is important to note, however, that for Haringey, this programme presents exciting opportunities to:

- deliver Early Help to our most disadvantaged young children who are at most risk of poor outcomes, making links with other key local and national initiative;
- support 'Outstanding for All' on our journey to improvement; Ensure there is continuity of provision for children from early education into primary school;
- support parents into training and work; and
- support the creation of jobs and training opportunities within the borough.



6 Strategy for Developing the 2 Year Old Programme in Haringey

6.1 Sufficiency of Places

- 6.1.1 From September 2013 the entitlement will apply to a projected 882 children in Haringey. Although we will aim for full participation, the DfE estimate that 80% (706 children) will take up their entitlement.
- 6.1.2 In order to meet our sufficiency targets, a range of existing providers (judged as good or outstanding by Ofsted) will be included in the programme:
- Playgroups;
 - Primary schools (including primary academies);
 - Children's Centres;
 - Nursery schools;
 - Private and independent nurseries; and
 - Childminders.
- 6.1.3 As part of the statutory requirements business support is being offered to enable providers to try out different models of delivery that may allow them to take part in the programme. Given the variations in costs and charging across the range of settings, it will be necessary to continue to work with settings over the next two academic years in order to support them to bring their costs in line with the funding available. The Local Authority is employing principles of Value for Money (VfM) and equity in relation to funding arrangements.
- 6.1.4 In order to provide the projected number of places required, more places in a wide range of settings across Haringey and particularly in the areas of greatest deprivation will be needed.

Table 1: Profile of places required to 2014-15

Year	Places		
	Required	Current	Gap
2013-14	882	549	333
2014-15	1,500	882*	618

*Assumes meet place gap in 2013-14

- 6.1.5 Existing provision is mainly in the maintained sector (Children's Centre, Nursery Schools and Schools). These tend to have a higher cost base and are currently supported by a childcare subsidy funded through DSG. To get a better picture of current charges for two year old places, a survey of existing providers was undertaken.

Table 2 provides a summary of the results



Surveyed Costs

Range of charges for 2 year old sessional childcare places by type of provider

Type of provision	Childminders	Day Nurseries	*Children's Centres/Nursery Schools	Pre-school Playgroups
Range of costs	£5.67 to £7.00	£3.64 to £9.43	£4.80	£3.25 to £5.17
Average cost in postcode areas (N15, N17 & N22)	£5.90	£4.30	£4.80	£3.70

*** It should be noted that charges shown for Children's Centre and Nursery School provision are after the application of a universal subsidy.**

In the short term we will need to rely on these settings to continue to provide places whilst we expand the provision of good quality, affordable places. Therefore, in the first phase, this may mean that providers are paid different amounts whilst a single funding formula is implemented.

- 6.1.6 To ensure sufficient, affordable places are created, we will support the development of playgroups in a wide range of settings, including schools. New providers will be supported to set up in a variety of settings such as unused Local Authority property, on school sites and other suitable buildings. We anticipate that in order to meet the volume of places required, we will need to commission additional places.

6.2 Reaching our most disadvantaged two year olds

- 6.2.1 The delivery of the two year old programme in Haringey is integral to the development of Haringey's Early Help strategy and is recognised to be a key mechanism for the early engagement of children from some of our most disadvantaged families.
- 6.2.2 Evidence from research, such as the EPPE project ¹ tells us that access to high quality early education can make a significant difference to the longer term attainment outcomes for children from disadvantaged backgrounds. One of our priorities within this programme is to ensure that the most vulnerable in Haringey are provided with access to the highest quality

¹ The effective provision of pre-school education (EPPE) project was the first major European longitudinal study of a national sample of young children's development (intellectual and social/behavioural) between the ages of three and seven years. the project and investigated the impact of preschool provision



placements.

6.2.3 Working with Health and Children's Social care partners we will seek to ensure that the most vulnerable children are able to access a place through the establishment of suitable referral pathways into the programme.

6.3 Transition to three and four year free entitlement

6.3.1 All three and four year olds are entitled to 15 hours per week of free early education from the term after their third birthday. The current take-up levels of this three and four year old entitlement in Haringey are around 77%. The challenge of providing access to this entitlement is that whilst it is a statutory duty for the Council to ensure the provision of places, there is no parallel legal obligation on parents to place their child in provision and therefore some parents choose not to take up the free 15 hours per week offer. We need to improve take up levels across the two, three and four year old age range in order to mitigate against potential reductions to future levels of DSG Funding. The expansion of the two year old programme over the next two academic years will contribute significantly to improving participation levels at age three as these children will already be known.

6.3.2 We are working closely with the Haringey Admissions Service to ensure that there is a co-ordinated approach to delivering sufficient places for two, three, four and five year olds and to enable continuity of provision for children, particularly for the most disadvantaged.

6.4 Improving Quality and outcomes for children

6.4.1 The provision of free early education targeted at two year olds from our most economically deprived communities forms a key part of the Local Authority's Child Poverty and Health and Well Being strategies. Our journey to improvement through the engagement of children in good quality early education should secure improvements for these children at the end of the Early Years Foundation Stage.

6.4.2 Using a Place Planning approach and in line with the principles contained within Haringey's '*Outstanding for All*' Education Commission Report, we intend to deliver the programme using only good or outstanding provision (as judged by Ofsted) in the range of settings outlined above.

6.4.3 There has been analysis of the need for places, mapping of the quality of provision and an intensive training and support programme to improve the quality of provision being delivered. This intensive improvement programme is being delivered using funding provided for this purpose by the DfE.

6.4.4 All current providers are now participating in induction and training programmes and the Haringey Early Years Quality Assurance programme to ensure that the quality of provision is at least good.



- 6.4.5 Children accessing the programme will be tracked so that the impact of the programme can be measured and the outcomes of successful interventions are shared across other programmes.

7 Funding the Programme Development and Delivery Financial Settlement

- 7.1 In November 2012, the DfE announced revenue funding allocations to local authorities to secure early education places for two year-olds from lower income families. This forms part of the ring-fenced Dedicated Schools Grant (DSG) in 2013-14. The Department also announced capital funding allocations for the 2013-14 financial year.
- 7.2 Cabinet has previously endorsed the Haringey Schools Forum recommendation to ring-fence the two year old funding.
- 7.3 The revenue funding comprises:
- £2.656 million revenue funding for statutory place provision; and
 - £1.043 million trajectory funding to support the expansion of the programme.
- 7.4 The trajectory funding has been provided to develop the infrastructure required to support both phases of the programme. The funding will be used for a range of purposes including to:
- develop systems for the allocation of places and payments to providers;
 - further develop systems for tracking the progress of children;
 - improve the quality of provision so that more providers are good or outstanding;
 - stimulate the local market and encourage new providers to set up;
 - support the sustainability of new providers to deliver good quality places by initially funding on planned places rather than actual participation. (From April 2015 we will only be able to fund settings based on participation); and
 - promote and advertise the programme and deliver outreach to families.
- 7.5 The DfE recognises the need for capital investment and has provided capital funding (£736,659) to support the expansion of the programme. The proposed criteria for allocating this funding are:
- need for places in the area;
 - number of new places the setting will offer; and
 - value for money (number of places delivered compared to cost of adaptations).
- 7.6 Further work is being carried out to encourage new providers to set up and deliver places in the areas of greatest need for September 2014. A significant proportion of the capital funding will be required to support these developments which may involve larger building projects.
- 7.7 Once detailed schemes have been identified, specific approval will be sought through regular capital programme update processes.



8 Proposed Single Funding Formula for two year old places

- 8.1 When the two year old funding was announced in November 2012, the DfE issued guidance on the expectations of how the funding should be allocated to providers. This included a requirement on local authorities to fund two year old places through an Early Years Single Funding Formula (EYSFF), a requirement now contained in the Schools and Early Years Finance Regulations 2013.
- 8.2 The Schools Forum has appointed an Early Years Working Group comprising Forum members, Headteachers and Governors to work with officers to develop a formula.
- 8.3 Initial work of the Early Years Working Group focused on consideration of the cost of provision across different providers to inform the setting of base rates. However, recent DfE consultation suggests that this may not be sustainable beyond March 2014 as the consultation is proposing to require a single flat rate for all two year old provision.
- 8.4 The two year old formula must use a base hourly rate and can include a quality supplement. We will receive funding based on a notional rate of £5.28 an hour. This settlement figure is a challenging amount for the delivery of the number of high quality childcare places needed in Haringey, given the range of fees currently charged by our childcare providers.
- 8.5 The Early Years Working Group met regularly and consulted between 8 May 2013 and 7 June 2013 with potential providers for their views on:
- the number of places that could be offered at a variety of rates ;
 - whether these places would be provided if a flat rate was introduced; and
 - whether the Local Authority should provide place-led funding during the initial stages of delivery.

The Consultation Document is attached at Appendix A.

- 8.6 The consultation tested what places may be available and what providers consider a reasonable rate. In the consultation the differential rates (between £4 and £6 per hour) were considered. The advantage of differential rates is that they more closely reflect the costs faced by different providers and can allow higher funding in settings dealing with children with more complex needs or facing higher unavoidable costs that will be offset by lower payments to establishments dealing with less complex need and facing lower costs. The advantage of a flat rate (£5.28 per hour) is that it is easier to administer and more transparent to providers. It is also an incentive for providers to develop cost efficient provision along the lines of a playgroup.
- 8.7 The results of the consultation appear inconclusive due to the low response rate and wide variance amongst feedback on rates. The feedback from the majority of those who did respond suggests that very few providers felt able to deliver places



Haringey Council

for less than the funded rate of £5.28; with most responses indicating that a rate of £6.00 per hour would be most appropriate. It would not be possible to fund all potential eligible places at this rate within current levels of funding. The outcome of the consultation is summarised in Appendix B.

- 8.8 It is proposed that the Council adopt a formula model underpinned by the following approach:
- a flat rate for all types of providers
 - a modest top slice of 2% on the rate to meet the cost of administering the programme; and
 - maintaining existing levels of provision by continuing to fund an existing, fixed number of places at the current provider rates to the end of March 2013. This will secure the number of places already available and provide sufficient time for those providers to make the transition to the proposed rate for all additional or new places.
- 8.9 The proposed flat rate for all providers is £5.18 per hour and reflects a 2% top slice on the funded rate of £5.28. It should be noted that this is a challenging rate for maintained childcare provision and some private providers. Therefore, further work will be done to support some providers to develop sustainable models for the delivery of places at this funding rate.
- 8.10 Feedback from the consultation will be reported to the Schools Forum on 3rd July 2013. The Forum will be formally consulted on the proposals and its recommendation will be reported to Cabinet on 9th July 2013.
- 8.11 The outcome of the consultation will inform our decisions for 2013-14; however, there is a risk that there may be a statutory requirement for a flat rate from September 2014.

9. Comments of the Chief Finance Officer and financial implications

- 9.1 Funding for the expansion of the Two Year Old Programme is contained within the Early Years block of the Dedicated Schools Grant. In approving the 2013-14 Schools Budget, Schools Forum has ring-fenced the two year old revenue funding for the programme. Whether the formula uses a flat or differential hourly rate, the average rate must be within the £5.28 funding envelope.
- 9.2 Maintained settings will need to consider whether they would be able to sustain two year old places at the flat rate when deciding whether to provide places; should a flat rate become mandatory in the future.
- 9.3 In relation to providing new physical capacity for two year old places, the DfE capital allocation of £736,659 is extremely modest. The grant is likely to be used to either provide small grants for minor adaptations to existing buildings hosting current provision in either the maintained or private and voluntary sector, or as a contribution to a larger scheme which is addressing capacity in the primary school



place programme. Some initial work has been done with the pupil place planning steering group to identify options in this area, but a detailed action plan has yet to be formulated.

- 9.4 Where possible, proposed primary school expansion schemes will attempt to address the options for adapting the relevant Early Years settings to allow for additional places for two year olds. However it has to be recognised that this can considerably increase the cost of such schemes, particularly on constrained sites. The application of the proposed value for money criteria for selection of schemes will therefore need to be balanced against the feasibility and deliverability of solutions in each case.

10. Head of Legal Services and legal implications

- 10.1 The Head of Legal Services has been consulted on the content of this report. Consideration of the recommendations set out in the report will assist the Council in complying with its duties under Sections 6, 7, 11 and 13 of the Childcare Act 2006. Sections 6 and 11 require local authorities to assess the local childcare market and to secure sufficient childcare. Section 7 places a duty on local authorities to secure free early years provision for eligible young children in their area and Section 13 places a duty on English local authorities to provide information, advice and training to childcare providers.
- 10.2 Consideration of the recommendations in this report will also assist the Council to comply with current statutory guidance for local authorities on the delivery of free early education for three and four year olds and securing sufficient childcare and the proposed draft statutory guidance for local authorities on the exercise of their duties relating to early education and childcare which is to take effect, subject to the outcome of consultation, from 1 September 2013.

11. Equalities and Community Cohesion Comments

- 11.1 An equality impact assessment has been undertaken. The outcome is shown at Appendix C.



12. Head of Procurement Comments

- 12.1 The Head of Procurement notes the content of this report and will work with the service to support market development and a VFM commissioning strategy.

13. Policy Implication

The introduction of the statutory duty from September 2013 to provide access for those eligible two year olds to free early education will have implications for the delivery of early education in Haringey; in particular the widening of access for our most vulnerable two year old children, some of whom may not meet the national criteria of eligibility for free school meals or being looked after children. We await further guidance following recent Government consultation in this area and therefore the extent of the implications for policy is not yet known. It is anticipated that once this becomes clear this will be outlined in a further report to Cabinet later in the year.

14. Reasons for Decision

- 14.1 Haringey Council has a statutory duty from September 2013 under the Childcare Act 2006 to offer free early education to all children from the term after they turn two if their family circumstances would qualify for free school meals; and/or they are looked after children. In meeting this duty, the Council is also required to introduce a single formula for funding these early education places. The decision is required in order that the Council is able to meet its statutory duties from September 2013.

15. Use of Appendices

Appendix number	Appendix title
Appendix A	Consultation Document
Appendix B	Outcome of consultation on options for two year old funding rate
Appendix C	Equalities Impact Assessment

16. Local Government (Access to Information) Act 1985

- Childcare Act 2006 (Sec.7)
- Code of Practice for Local Authorities on Delivery of Free Early Years Provision for 3 & 4 Year Olds September 2010
- Draft Statutory Guidance for Local Authorities on the Exercise of their Duties Relating to Early Education and Childcare September 2013