

APPENDIX D - Two-year-old Early Entitlement Scrutiny Report

Report for:	Overview and Scrutiny Committee – 10 April 2014	Item Number:	
Title:	Two-year-old Early Entitlement – Conclusions and Recommendations of Children and Young People’s Scrutiny Panel Project		
Report Authorised by:	Cllr Martin Newton Chair, Children and Young People’s Scrutiny Panel		
Lead Officer:	Rob Mack, Senior Policy Officer (Scrutiny)		
Ward(s) affected:	Report for Key/Non Key Decisions:		

1. Describe the issue under consideration

1.1. The Panel has been undertaking an in-depth piece of work on the two-year-old early entitlement. This report outlines the conclusions and recommendations from this piece of work.

2. Cabinet Member introduction

N/A

3. Recommendations

That the following recommendations, as approved by the Children and Young People’s Scrutiny Panel at its meeting on 27 February and outlined in Section 6 of the report, be approved:

- (i) That further intensive work be undertaken with childcare providers to develop the two-year-old early entitlement scheme, particularly where they have expressed an interest in expanding, with a proactive approach adopted.
- (ii) That action be taken to enhance the status of childminders so that they are encouraged to provide places as part of the entitlement and parents are more likely to consider using them. This could be done through, for instance, improved training

arrangements and the development of links with Children's Centres. In addition, consideration could be given to forming them into groups/cooperatives. Childminding could also be promoted in Haringey People.

- (iii) That further consideration be given by C&YPS to the transition process for provision for three-year-olds, with a view to identifying how available funding streams can be most effectively exploited.
- (iv) That work is undertaken to identify potential sites through liaison with Ward Councillors and that consideration is given to a wider call for suggested sites which could be promoted through residents associations, the Council's website and Haringey People.
- (v) That childcare provision be prioritised when considering the future use of empty Council premises and properties.
- (vi) That communication with parents and carers be improved, including:
 - More user-friendly and attractive letters, with a named contact; and
 - A Freephone contact number that is also free from mobile phones.
- (vii) That work be undertaken with NHS commissioners to facilitate the involvement of Health Visitors in promoting the two-year-old early entitlement by providing information to parents during their visits. This should be built into protocols as the local authority will be taking over responsibility for commissioning the Health Visiting Service from 2015 and there is an aspiration for a return to a Universal Offer.
- (viii) That work to promote the entitlement be extended to other professionals in contact with expectant mothers and mothers with very young children, who should be encouraged to disseminate information on the two-year-old entitlement.
- (ix) That work is undertaken to look at setting up 'Playground Champions' within infant and primary schools as a means of promoting the scheme.
- (x) That the model used by the School Admissions service should be the template for arrangements to allocate places and fill vacancies for the two-year-old early entitlement.
- (xi) That mapping should be published which shows levels of take up, available places and children awaiting placement in each ward. A system of tracking outcomes should also be developed. This could include case studies.

4. Other options considered

N/A

5. Report

Introduction

- 5.1 The Panel has been undertaking an in-depth piece of work on the two-year-old early entitlement and its implementation within Haringey. From September 2013, all local authorities in England have had a statutory duty to secure free part time early education for the 20% most disadvantaged 2 year olds. This will be extended to the 40% most disadvantaged in September 2014. Children whose parents meet the eligibility criteria will become eligible for a place from the start of the term after they turn two years old until the start of the term after they turn three.
- 5.2 The overall aim of the scheme is to improve outcomes for two-year-olds who have been identified as potentially benefitting from access to high quality early years and childcare provision. The entitlement is for 570 hours per year, which equates to 15 hours per week for term time only. The national eligibility criterion are as follows:
- Children looked after by Local Authorities;
 - Children meeting the criteria for entitlement to Free School Meals (FSM), where the child's parents are in receipt of any one or more of the following support payments;
 - Income support (IS);
 - Income-based jobseeker's allowance (IBJSA);
 - Income-related employment and support allowance;
 - Support under Part 6 of the Immigration and Asylum Act 1999;
 - The guarantee element of State Pension Credit;
 - Child Tax Credit but not to Working Tax Credit and have an annual income not exceeding £16,190 (as of 6 April 2012), as assessed by Her Majesty's Revenue and Customs;
 - Entitled to Working Tax Credit four week run-on; and
 - Universal Credit.
- 5.3 The additional eligibility criterion for Phase Two will be as follows:
- Children in families receiving Working Tax Credits or Universal Credits and with annual gross earnings of no more than £16,190 a year;
 - Children receiving a current statement of SEN or an education, health and care plan;
 - Children attracting Disability Living Allowance; and
 - Children leaving care through special guardianship or through an adoption or residence order.
- 5.4 Local authorities have the discretion to agree their own local criteria, which will allow vulnerable and disadvantaged children whose parents do not meet the eligibility criteria to access a place.
- 5.5 The Department for Education (DfE) estimated that in Haringey, 882 two-year-olds would become eligible for a place from September 2013 and that would increase to approximately 1790 children from September 2014. The DfE is supplying local authorities with a termly list of parents who have a child they believe may be eligible for a place. This is based on benefits data held by the Department of Work and Pensions.

- 5.6 Nationally, 130,000 children qualified for the two-year-old offer in September 2013, with an estimated 26,761 (20.5%) of these in London. The high levels of poverty in some London boroughs mean that very high percentages of children within them can qualify for the entitlement. This figure is as high as 80% in some boroughs. From September 2014, 285,000 children in total will qualify for the scheme, with an estimated 50,373 (17.6%) children in London.
- 5.7 London boroughs have been allocated £86 million for the offer. This works out as an average hourly rate of £5.71 (£5.28 in Haringey), assuming all the money is transferred over to providers. However, this is below the rate that was provided for the pilot projects, which had been £6.00 per hour. No specific funding has been provided to cover the local authority costs of administering the new duty. The revenue funding allocation forms part of the ring-fenced Dedicated Schools Grant (DSG) in 2013-14. The DfE has also provided capital funding allocations. Guidance on expectations of how funding should be allocated to providers was issued by the DfE in November 2012, which included a requirement on local authorities to fund places through an Early Years Single Funding Formula (EYSFF).
- 5.8 As part of the 2013/14 budget process, the Council's Cabinet endorsed the Haringey Schools Forum recommendation to ring-fence funding for the two-year-old entitlement. The revenue funding comprised of:
- £2.656 million revenue funding for statutory place provision; and
 - £1.043 million trajectory funding to support the expansion of the programme.
- 5.9 Trajectory funding has been provided to develop the infrastructure required to support both phases of the programme and can 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, Councils will only be able to fund settings based on actual participation; and
 - Promote and advertise the programme and deliver outreach to families.
- 5.10 The DfE provided capital funding for Haringey of £736,659 to support the expansion of the programme. The Cabinet noted the comments of the Chief Financial Officer that this was an extremely modest amount taking into account the work that was required. The criteria for allocating this funding are:
- Need for places in the area;
 - Number of new places that the setting will offer; and
 - Value for money e.g. number of places delivered compared to cost of adaptations.
- 5.11 Funding is currently provided on a full participation model but from 2015 this will change to a funding model based on actual participation levels.
- 5.12 Haringey's Schools Forum appointed an Early Years Working Group, comprising of forum members, Headteachers and Governors, to work with officers to develop the formula. The formula was required to use a base hourly rate and could also include a

quality supplement. The Council currently receives funding based on a notional rate of £5.28 an hour.

- 5.13 The Early Years Working Group consulted with potential providers for their views. In particular, it looked at what places might be available and what providers considered to be a reasonable rate. The results of the consultation were inconclusive due to the low response rate but feedback from the majority of those who did respond suggested that very few providers felt able to deliver places for less than the funded rate of £5.28. Most respondents indicated that a rate of £6.00 per hour would be most appropriate but it was not considered possible to fund all potential eligible places at this rate within current levels of funding.
- 5.14 The Cabinet meeting of 9 July 2013 agreed that the Council would 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 rate (£5.74) to the end of March 2013.
- 5.15 The flat rate that was agreed for all providers was £5.18 per hour and reflected a 2% top slice on the funded rate of £5.28. It was acknowledged that this was a challenging rate for maintained childcare provision and some private providers. It was therefore also agreed that further work would be done to support some providers to develop sustainable models for the delivery of places at this funding rate. It was noted by Cabinet that there was a risk that there may be a statutory requirement for a flat rate from September 2014.
- 5.16 In December 2013, the DfE announced the two-year-old funding allocations for each local authority for 2014-15. The basis on which the funding allocation has been calculated for Haringey is split between 891 children for the first term of the 2014-15 financial year and 1790 for the remaining two terms. Funding allocations have been based on estimates for children meeting the economic criteria only (i.e. children from families meeting the benefits-related criteria also used for free school meals or children whose parents are in receipt of working tax credits and earning under £16,190)
- 5.17 Numbers used to calculate funding allocations do not include children eligible under non-economic criteria (i.e. looked after children, children with special educational needs, children from asylum seekers, adopted children) and the DfE's expectation is that funding for those children meeting the non-financial eligibility criteria is provided through the allocation of trajectory funding.

Panel Project

- 5.18 The Panel's project began in September and has looked in detail at plans by the Council to implement the early entitlement offer and, in particular, ensuring that there are sufficient high quality places available for two-year-olds in all areas of the borough where they are needed and that take up levels meet targets. In addition, it also looked at the transition process for places for three-year-olds. The objective of the project was

to make recommendations for endorsement by the Overview and Scrutiny Committee and submission to the Cabinet on potential measures that could be taken by the Council and its partners to improve support for the most disadvantaged children and maximise the benefits and outcomes of the new entitlement.

5.19 The terms of reference were as follows:

“To consider and make recommendations to the Overview and Scrutiny Committee on local arrangements to implement the early entitlement offer for two-year-olds and, in particular, measures to ensure that;

- Sufficient high quality places are available for two-year-olds in all areas of the borough where they are needed;
- Take up levels meet targets;
- There is a smooth transition to provision for three-year-olds.”

5.20 The work of the Panel was informed by evidence from a number of sources:

- The Children and Young Peoples Service (C&YPS) provided briefings to the Panel on progress with implementation locally;
- London Councils made a presentation to the Panel and answered questions on the specific research that they have commissioned on the issue and the implementation of the entitlement across London;
- Local providers from across the borough, including maintained and independent ones, on the challenges that they face; and
- The Chair of the Early Years Working Group of the Schools Forum on the work undertaken by them on the issues and the conclusions that they reached.

6. Conclusions and Recommendations

6.1. For the two-year-old entitlement to be effectively implemented, it is dependent on the following:

- Enough places of the required quality being available for children eligible for a place; and
- Parents and carers taking up the places to which they are entitled to in sufficient numbers.

6.2. 666 places have been established in Haringey to date for eligible two-year-olds. The number of children taking up their entitlement in Haringey has increased from 266 at the end of the pilot to 423 of the 882 who are eligible by December 2013.

6.3. The number of children that will be eligible for a place in the next academic year (2014-15) will be 1790. Whilst the aspiration is that all eligible children will take up their two-year-old programme place, the DfE has anticipated that 80% of all eligible children will actually take up a place. If this was the case, a minimum of 1432 places would be required.

Challenges

- 6.4. In ensuring that sufficient places are available and take-up levels meet the anticipated level, there are some specific challenges that all London boroughs are facing to some extent. A number of these are particularly relevant to Haringey.
- 6.5. There are currently insufficient providers within the capital that meet the necessary quality threshold. The Panel notes the view of London Councils that funding from government is not sufficiently high enough to offer a competitive hourly rate to attract many providers to expand or set up new provision to provide additional places for two year-olds. Their research has found that a rate closer to £8 is required. There are additional costs associated with looking after two-year-olds. It is not possible, for instance, to use the same toys as for three-year-olds. There are also additional costs associated with children with additional needs, such as family support, disability, attending conferences, reviews.
- 6.6. A proposal to increase the current place funding rate from £5.18 per hour to £6.00 per hour was approved by the Council's Cabinet on the 11th February 2014. This was strongly supported by the Overview and Scrutiny Committee and will bring the funding rate in line with the minimum rate being paid by many neighbouring local authorities and encourage more childcare providers to participate in the scheme. This has been made possible due to underspends arising from low participation in the Dedicated Schools Grant (DSG). Although this will be sufficient to fund the increase for the next two years, after this time additional resources will need to be identified.
- 6.7. The Panel noted that families from minority ethnic communities are less likely to take up early entitlement places and that parents/carers from such communities were also generally less likely to place their children in early years settings. London has a higher percentage of families from ethnic minorities than other regions and boroughs are therefore likely to have greater challenge in ensuring that places are taken up. In addition, residential mobility in London is the highest of any English region. Amongst other things, this can result in extra costs to local authorities and early years' providers, including additional costs of enrolment outside normal cycles.
- 6.8. The anticipated take-up rate of 80% has also proven to be a very challenging target for London boroughs so far. The Panel noted that anecdotally, according to London Councils, take-up of the entitlement across London was likely to be below the government target of 80% and that average take up rate was likely to be approximately 50%, although some authorities may achieve higher.

Provision of Places

- 6.9. Officers from C&YPS estimate that significant numbers of additional places will be required in some wards to provide enough places from September 2014. The largest numbers of places required are in the following wards:
 - Bruce Grove
 - Northumberland Park
 - Seven Sisters
 - Tottenham Hale

- White Hart Lane
- West Green
- Tottenham Green.

6.10. Work is being carried out by the Children and Young Peoples Services (C&YPS) to develop provision for the scheme across the early years sector and maximise the capacity of current providers to expand. This will take into account the need to ensure effective transition for two-year-old children once they reach the term after their third birthday and become eligible for a universal three and four-year-old free entitlement place.

6.11. The Panel received evidence from providers who were restricted in their capacity to offer places due to lack of physical capacity and were keen to expand. As previously mentioned there is some limited capital funding available to assist with this.

- *1. The Panel recommends that further intensive work be undertaken with childcare providers to develop the two-year-old early entitlement scheme, particularly where they have expressed an interest in expanding, with a proactive approach adopted.*

6.12. The Panel noted that there are currently only 13 childminders offering 43 places within the borough in total as part of the scheme. In addition, there are comparatively fewer childminders than elsewhere and, in addition, some parents and carers can be reticent to use them. Work is being undertaken by C&YPS to encourage more good and outstanding childminders within the borough to participate in the programme. Childminders are also being provided access to training and business support.

- *2. The Panel recommends that action be taken to enhance the status of childminders so that they are encouraged to provide places as part of the entitlement and parents are more likely to consider using them. This could be done through, for instance, improved training arrangements and the development of links with Children's Centres. In addition, consideration could be given to forming them into groups/cooperatives. Childminding could also be promoted in Haringey People.*

6.13. The Panel noted the suggestion from London Councils that moving three-year-olds from Private, Voluntary and Independent (PVI) providers to schools, thus freeing up space for two-year-olds, could assist in maximising available spaces. In addition, effective liaison with Primary schools is important in order to encourage children to move onto nursery classes therefore liberating places for two-year-olds in PVIs. However, evidence from a local provider suggested that such moves could have the potential to impact adversely on providers as three and four-year-olds are more lucrative sources of income for them than the two-year-old entitlement.

- *3. The Panel recommends that further consideration be given by C&YPS to the transition process to provision for three-year-olds, with a view to identifying how available funding streams can be most effectively exploited.*

6.14. Plans to develop further the childcare market in the borough are also being implemented by C&YPS and include the commissioning of additional places from new

providers and the establishment of cross-borough protocols. Planned market expansion and engagement activity includes targeted work with schools and childminders to support the development of good quality places, particularly in areas where we anticipate the highest demand for places.

- 6.15. In order to assist in developing additional provision to meet the number of places required, the Panel would emphasise the need for services to liaise closely with people who have local knowledge in order to assist in identifying potential sites for provision. For example, Panel Members have suggested a number of potential premises for provision through their knowledge of their local area. Ward Councillors are particularly well placed to assist. In addition, a wider call for suggestions for sites might assist in identifying sites with potential. Childcare provision could also be prioritised when considering the future use of empty Council premises and properties.
- *The Panel recommends;*
 - *4. That work is undertaken to identify potential sites through liaison with Ward Councillors and that consideration is given to a wider call for suggested sites which could be promoted through residents associations, the Council's website and Haringey People.*
 - *5. That childcare provision be prioritised when considering the future use of empty Council premises and properties.*

Take Up

- 6.16. Haringey's current level is approximately 48%, which is very close to the average. However, the Panel is of the view that the borough should aspire to be better than the average for London, particularly in the light of the challenges that it faces and the work that is being undertaken as part of the Haringey 54000 scheme. In addition, revenue funding will be dependent on participation levels in future years and therefore any underachievement will have an impact on resources for the scheme.
- 6.17. Termly lists of potentially eligible families are provided by the DfE. The eligibility checking system that the Council currently uses to check these lists will be enhanced from April 2014 to enable checking of families who may meet the Working Family Tax Credit criteria. This will support plans for the early introduction of this eligibility criteria which it is anticipated will increase access to, and the take-up of, the scheme.
- 6.18. The Panel concurs with the view of C&YPS that active engagement with parents and carers to encourage more children to benefit from the free entitlement is required. Promotion of the two-year-old offer will be a top priority for the borough in the coming months, with the launch of a marketing and awareness-raising campaign, including parent road shows and established information points at key locations in the community. Action is also being taken, together with partners, to improve communication. As part of this, a marketing day is being held.
- 6.19. The Panel is of the view that communication with parents and carers needs to be reviewed to ensure that its effectiveness is maximised in order to encourage further

those entitled to free places to take them up. The Panel feel that personalised letters to parents and carers could help promote higher levels of response. It suggests that a Freephone number would assist residents who needed advice and information and that this should also be free for people using mobile phones.

- *6. The Panel recommends that communication with parents and carers be improved, including:*
 - *More user-friendly and attractive letters, with a named contact; and*
 - *A Freephone contact number that is also free from mobile phones.*

6.20. The Panel believes that all professionals in contact with expectant mothers and mothers with very young children should be encouraged to disseminate information on the two-year-old entitlement as a means of promoting the scheme. Health visitors could play a particularly important role and this should be built into protocols, particularly as the local authority will be taking over responsibility for commissioning the Health Visiting Service from 2015 and there is an aspiration for a return to a Universal Offer. In addition, “playground champions” could also be identified to promote the scheme to parents and carers who might be entitled.

- *The Panel recommends:*
 - *7. That work be undertaken with NHS commissioners to facilitate the involvement of Health Visitors in promoting the two-year-old early entitlement by providing information to parents during their visits. This should be built into protocols as the local authority will be taking over responsibility for commissioning the Health Visiting Service from 2015 and there is an aspiration for a return to a Universal Offer;*
 - *8. That work to promote the entitlement be extended to other professionals in contact with expectant mothers and mothers with very young children, who should be encouraged to disseminate information on the two-year-old entitlement.*
 - *9. That work is undertaken to look at setting up 'Playground Champions' within infant and primary schools as a means of promoting the scheme.*

6.21. The implementation of the scheme initially relied on self-referral for the allocation of places, with parent/carers receiving letters informing them of their entitlement which they could then take to providers who were offering places. The Panel received evidence from providers that there had been a lack of awareness of where there were vacancies. In addition, whilst some providers were oversubscribed, others in the same area had vacancies.

6.22. The Panel is of the view that self-referral has not proven to be effective in allocating places and that it is important that the process is managed. It notes that C&YPS has been addressing this issue. The Panel feels that much could be learnt from the very effective and efficient way that school admissions are administered and suggests that this could be the template for good practice.

- *The Panel recommends:*

- 10. *That the model used by the School Admissions service should be the template for arrangements to allocate places and fill vacancies for the two-year-old early entitlement; and*
- 11. *Mapping should be published which shows levels of take up, available places and children awaiting placement in each ward. A system of tracking outcomes should also be developed. This could include case studies.*

6.23. London Councils research has identified the need for a flexible approach to deliver long term improved outcomes for the most disadvantaged two-year-olds that also included working with the family. They are of the view that the government should relax the requirement to only provide 15 hours of funded childcare for the most disadvantaged children and allow flexibility for an alternative model whereby local authorities would instead be allowed to make two offers to parents, based on 15 hours funded childcare:

- 10 hours of early education, plus additional home learning and parenting, developing the model trialled by the Royal Borough of Greenwich and in more local authorities in the 2009 offer. Evidence had so far suggested it was the model that delivered the best long term outcomes; and
- 15 hours of early education.

6.24. To date, the DfE had rejected any calls for greater flexibility in the programme. The Panel endorses London Councils proposal that flexibility should be built into the scheme so that the hours can be used in innovative ways that maximise outcomes.

7. Comments of the Chief Finance Officer and financial implications

Funding for the free early education offer for two-year-olds is provided through the Dedicated Schools Grant. As explained in the body of the report, this funding has been ring-fenced within the Early Years Block. Through modelling take-up from September 2013, it became clear that significant underspends would occur in 2013-14 and 2014-15 as a result of low take-up. In order to support increasing the supply of places, Cabinet has now approved an hourly rate of £6 per hour. This exceeds the £5.28 per hour funding provided with the result that a funding gap is projected by 2016-17. Schools Forum has committed to continuing to fund a rate of £6 per hour through a combination of increasing 3 and 4 year old participation and reductions in other Early Years Block budgets.

Whilst the recommendation to focus limited capital funding on increasing places through expansion is supported, members should note that it is increased participation that will ultimately maximise future funding and outcomes for vulnerable children.

Although the specific cost of the recommendations are unclear, it is anticipated that they would be met through two-year-old participation and trajectory funding.

8. Head of Legal Services and Legal Implications

From 1st September 2013 as a result of section 7 of the Childcare Act 2006 and the Local Authority (Duty to Secure Early Years Provision Free of Charge) Regulations 2012, the Council has had the duty to secure for all eligible two-year-olds in its area free early education for 570 hours a year over no fewer than 38 weeks of the year. Children are eligible for such education if they are looked after by a local authority or if they come within the criteria used to determine eligibility for free school meals. One of the aims of the recommendations in this report is to ensure that the Council complies with this duty by putting forward measures to ensure that sufficient high quality places are available for two-year-olds in all areas of the borough where they are needed.

9. Equalities and Community Cohesion Comments

- 9.1. The report concerns the implementation of the two-year-old early free entitlement, which aims to improve outcomes for identified two-year-olds who would benefit from access to high quality early years and childcare provision. The scheme is particularly targeted at the most disadvantaged children from within the community. The recommendations within the report seek to enhance the effectiveness of the scheme and maximise its effectiveness in addressing disadvantage.

10. Head of Procurement Comments

10.1. N/A

11. Use of Appendices

N/A

12. Local Government (Access to Information) Act 1985