

CABINET

4 SEPTEMBER 2012

EARLY EDUCATION FOR TWO-YEAR-OLDS

Portfolio Holder: Councillor Les Wicks, Children's Services

Report from: Neil Davies, Chief Executive

Author: Mark Holmes, Strategic Manager Early Years Services

Summary

The Education Act 2011 gives parents of disadvantaged two-year-olds a new right to free early years education and care. The duty on local authorities to secure provision is introduced in two stages. The first stage in 2013 involves all of the least advantaged children – those entitled to free school meals, and looked after children. In September 2014 the entitlement extends to 40% of the population – equivalent to between 1,400 and 1,600 children in Medway.

The report recommends a programme of engagement with existing providers of early education in the private, voluntary and maintained sectors; integration with the successful Sure Start Children's Centre programme to identify and support vulnerable families; and procedures to enable schools in Medway to develop provision appropriate for younger children.

1. Budget and Policy Framework

- 1.1 These proposals are consistent with the Children and Young People's Plan and the Council Plan.
- 1.2 The Children and Young People's Plan sets out the key priority of the Medway Children's Trust to "help very young children to be prepared for starting school and be ready to learn, with good communication and social skills and the ability to manage their own personal needs". One of the five key priorities of the Council Plan is that "children and young people have the best start in Medway".
- 1.3 Budget implications arise in 2013-14 and beyond, and will be determined during the Council's budget setting process for next financial year.

2. Background

- 2.1 The Coalition Agreement of 2010 included a policy commitment to provide early education places for the most disadvantaged children aged two years

old. The government's objective is to intervene early and provide targeted support to reduce inequalities in young children's readiness to start school. The funding for this policy was outlined in the Spending Review of October 2010.

- 2.2 The Education Act 2011 received Royal Assent in November 2011 and Part 1 enables a new entitlement for disadvantaged two-year-olds to 15 hours' free early years education, commencing September 2013. "Disadvantage" is determined as eligibility for free school meals (or equivalent) equating to around 20% of the population. In addition Looked After Children will be eligible.
- 2.3 The Chancellor's Autumn Statement of 29 November 2011 included an unexpected policy announcement to double the number of families eligible for a free place for their two year-old. The criteria is likely to be based upon an assessment of the family's income. This equates to around 260,000 children nationally, or 40% of the population, and will commence September 2014. The policy was heralded as a major step to improving life chances for disadvantaged children.
- 2.4 In Medway there are approximately 3,500 children aged two years old. This number is growing steadily due to the rising birth rate and is likely to be nearer 3,600 in 2014.
- 2.5 Many children in Medway attend nurseries, pre-schools or childminders when they are two years old. However, because there is no free provision until children are three, these are predominantly children from more affluent households and those where parents are in full time work.
- 2.6 To comply with the new duties in September 2013, we forecast that approximately 700-800 children aged two will be eligible for a free nursery place. Almost all of these will be children who would not have attended on a fee-paying basis, so will require additional places within the market.
- 2.7 In September 2014, when the eligibility criteria are widened, we forecast that up to 1,500 children in total will become eligible. A proportion of these will be from working households who would have been purchasing childcare, but we will still require the local market to provide places for more than 1000 additional children not currently provided for.
- 2.8 To achieve such a significant growth in capacity within a very short timescale, we shall need to engage the existing market of private and voluntary nurseries and pre-schools, self-employed registered childminders, and local primary schools. There is a major opportunity for local providers to consolidate and grow their business, utilising a share of the several million pounds of new and additional public funding that will be channelled through the local authority's Dedicated Schools Grant (DSG).
- 2.9 The distribution of low-income households within Medway is not uniform. A greater proportion of families living in central Chatham, central Strood, and north Gillingham have an income level giving eligibility for this programme, meaning that in some areas a majority of families will be entitled to a free

place for their two-year-old. In more affluent areas the proportion will be lower, but it is forecast that in every ward and locality some new free places will be required.

- 2.10 The focus of the local authority's project implementation plan is on:
- enabling the identification of providers
 - the training and support of new staff
 - the embedding of a planned programme of quality improvement – focusing on curriculum, resources, environment and workforce
 - and the strategic integration of provision for two-year-olds with the targeted support activities of Sure Start Children's Centres and transition into universal early education and school at age three years and beyond, to ensure improved outcomes for children.
- 2.11 In addition proactive steps are required to ensure that new and additional provision of appropriate quality is established in localities where there is a known projected shortage, through management of the market.
- 2.12 New processes are required to:
- Identify families likely to be entitled to a place for their child
 - Check the eligibility of families
 - Develop a differentiated funding methodology and implement a payment system
 - Broker cross-border funding agreements with Kent County Council
 - Enable schools to comply with statutory procedures in a timely manner if they wish to provide places for two year-olds.

3. Options

- 3.1 This is a new, statutory duty enshrined in law. The local authority is obliged to comply with the legislation.
- 3.2 The authority could opt to wait until September 2013, and take only minimal steps to prepare for the duty. In so doing, reliance would be placed upon the diverse nursery and childcare sector to independently implement a rapid expansion and fundamental change in business profile.
- 3.3 Alternatively, the authority can plan for the duty, taking reasonable steps to ensure that the capacity of the market is maximised, and that the projected impact on young children and families is most beneficial.
- 3.4 Streamlining the procedure that schools follow if they wish to develop new provision for younger children would enable a swift expansion where there is physical capacity to do so.

4. Advice and analysis

- 4.1 The offer of early education for two-year-olds to a targeted sector of the population, who are currently excluded from such opportunities, is likely to lead to improved outcomes for those children, and to a greater degree of school readiness and later attainment.

- 4.2 At present, children from low-income households (eligible for free school meals) are achieving less well at the age of five than their peer group as a whole. Nationally the gap is 18% (2011 data). In Medway it is 16%. If we are successful in redressing this inequality arising from the circumstances of birth, children commencing primary school in Medway will be far more likely to succeed in their learning.
- 4.3 For this reason, ensuring high quality experiences for vulnerable and lower income children is a worthwhile and positive investment. Additionally, this is a statutory duty on the local authority, enshrined in law.
- 4.4 Around 1,000 additional children, who previously would have been excluded from opportunities to access a high quality pre-school experience at age two years, will require places. This is the biggest expansion of education since the introduction of universal nursery education for three-year-olds in Medway in 2001.
- 4.5 Previous experience of the introduction of new duties and entitlements to early childhood education clearly suggests that careful planning, preparation and tailored support is key to successful and effective implementation. It is proposed that a detailed project plan be put in place covering all aspects of the programme, and measures to ensure that risks are identified and minimised.
- 4.6 The duty to secure places commences in September 2013. However, throughout 2012-13 the focus of the local authority early years service will be on supporting and enabling providers and practitioners to identify their own needs and to develop local improvement action plans.
- 4.7 The local authority can assist with facilitating the expansion of places by enabling the governing bodies of maintained schools that wish to, and have the capacity to do so, develop provision for younger children. It is proposed that the local authority adopt a presumption of support for such proposals. Current policy is that Cabinet formally considers requests on two occasions during the process – prior to commencement of a public consultation, and prior to issuing of a statutory public notice, with the outcome determined by the Director of Children’s Services in consultation with the Portfolio Holder. It is proposed that instead Cabinet only determine the outcome of a statutory public notice should there be formal objections to the proposal.
- 4.8 A Diversity Impact Assessment initial screening has identified that the differential impact of this programme, which explicitly focuses on lower income households and vulnerable children, can be justified on the grounds of promoting equality of opportunity for these children and families who currently have poorer outcomes and life chances. The screening tool is attached as an Appendix A.
- 4.9 The implications for Looked After Children are positive. There are on average around 30 children aged two years who are looked after by the local authority. All these children will be eligible for a free nursery place within the first phase of the programme in September 2013. Liaison with the Children’s Social Care

directorate will ensure that carers are aware of the new entitlement, and that families are supported and encouraged to take up a high quality nursery place.

- 4.10 The benefits to the local economy are positive. The majority of the expansion of places will be provided by local small and medium sized enterprises. The regulated ratio of one adult for every four children implies a significant opportunity to increase employment of local people, with many new part-time and flexible jobs working with young children. However, a commensurate programme of workforce development and staff training will be required to ensure that the quality of provision is good.

5. Risk management

Likelihood	Impact:
A Very high	1 Catastrophic (Showstopper)
B High	2 Critical
C Significant	3 Marginal
D Low	4 Negligible
E Very low	
F Almost impossible	

Risk	Description	Action to avoid or mitigate risk
Shortfall of places [C2]	Insufficient places are available within the market to meet parental demand, resulting in failure by the local authority to meet statutory duties	Programme of engagement and support with existing market of providers. Support for expansion. Identification of new market opportunities. Encouragement of new providers, including schools.
Inadequate quality [C2]	Settings fail to meet quality standards (national and local) resulting in outcomes for children not being improved and/or exclusion of the setting from the programme	Audit of provision. Carefully tailored programme of environmental improvements, professional development and workforce training
Intelligence [D2]	Inadequate forecasting of size of eligible population, future growth trends, take-up rates, and/or projections of supply side data.	Robust project planning arrangements. Liaison with government agencies (DWP, HMRC).
Financial [D1]	Insufficient budget provision being made within Dedicated Schools Grant, resulting in overspend and/or failure to meet statutory duty. Risk of impact on Early Intervention Grant.	Robust financial forecasting. Timely discussion with Schools Forum.

Systems [D2]	Inadequate systems for the identification of families; checking of eligibility; recording and payment to settings.	Development of systems and processes during 2012-13 in advance of implementation.
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6. Consultation

6.1 Medway was selected by the Department for Education (DfE) to trial new ways of delivering early education for two-year-olds and support for their families. The outcomes of the trial in Medway during 2011-12 were used by the DfE to inform the legislation and accompanying national guidance materials. Key findings included:

- The critical role of high quality leadership, preferably graduates with Early Years Professional (EYP) status, and skilled, knowledgeable adult practitioners – without whom there will not be the desired impact on children’s learning and development
- Carefully planned environmental audits, leading to bespoke “focused improvement plans” for each setting seeking to provide places for two-year-olds
- The importance of pathways of support for families, linking support for parents through the local Sure Start Children’s Centre to the offer of 15 hours of high quality provision for the two-year-old.

6.2 Engagement events with providers and potential providers of early education for two-year-olds in Medway took place in July 2012, attended by around 180 pre-schools, nurseries, schools, and accredited childminders. Key issues arising from the events were:

- Constraints on the physical capacity of many existing pre-school and nursery settings, and the ability to adapt and expand to new demand for places
- The need for a carefully planned, and long, preparation period to adapt admissions arrangements, waiting lists, promotion to local families, and operational plans
- Training and development of existing and new staff in child development, to ensure that the wellbeing, care and learning needs of very young children, are fully understood
- A need for further guidance for schools that are considering developing new provision for two-year-olds, particularly in localities where there is a projected shortfall of places.

7. Financial and legal implications

7.1 The Education Act 2011, Part 1, enables a new entitlement for disadvantaged two-year-olds to 15 hours’ free early years education, commencing September 2013.

7.2 The Chancellor of the Exchequer, in his budget statement of November 2011, announced funding totalling £760million per annum to support the provision of early education for two-year-olds.

- 7.3 Funding for places for two-year-olds will be through the Dedicated Schools Grant (DSG). Additional funding to the local authority will be routed by government through the early years block of the DSG. Initially this will be through a formula allocation, but over time will be based upon take up of places. At present, an element of the Early Intervention Grant (EIG) is provided for places for two year-olds in advance of the statutory duty. Consequently this element will be removed from EIG at the end of the current financial year.
- 7.4 The transfer of funding for early education provision for two-year-olds into the DSG has implications for the general fund revenue budget. Whilst this component of EIG is estimated at around £900,000, this was not all passported to fund free nursery provision and current revenue budget only reflects expenditure of £506,000. The net effect of the transfer of this funding to the DSG is estimated as a £400,000 pressure on the general fund.
- 7.5 The Medway Schools Forum advises the local authority on the distribution of the Dedicated Schools Grant (DSG) between schools and other provision for pupils, and on the formula used to allocate funding to individual schools. Additionally, the Schools Forum has a key decision-making role in determining the extent to which the DSG can be used for 'central expenditure' to meet the costs of educating pupils who do not attend a Medway school – including children accessing their free entitlement to nursery education in private, voluntary and independent settings.
- 7.6 Funding of children is through payment to registered settings based upon the number of eligible children and the hours they attend. A child will be entitled to a maximum of 15 hours per week, across 38 weeks of the year (or a total of 570 hours).
- 7.7 During the pilot phase Medway has provided places for children at a small number of selected settings based upon a flat rate payment of £5.00 per hour. Conversely, funding for children aged three and four years is via the "early years single funding formula" which results in settings and schools receiving variable rates of funding according to the proportion of disadvantaged children they serve, and the quality of the setting.
- 7.8 Whilst the detail of the funding methodology has not yet been finalised, for planning purposes a funding rate of £5.00 per hour per child is assumed. Overheads have been forecast at 5% (for administration, workforce development and quality improvement, performance and project management), resulting in a total indicative cost of £3,000 per place per annum.
- 7.9 The number of eligible children is derived from the known and forecast population within the age range, and the number of families in receipt of specified benefits or within the prescribed income range. The forecasts are not yet precise, and are subject to both demographic and economic change.
- 7.10 Indicative forecast of annual budgetary provision rise from the current spend of just over £500,000, to more than £3.8million. The phased introduction of the duty means that additional cohorts of children will become eligible in

September 2013 and again in September 2014 – part way through each financial year.

NB actual budgets are subject to the annual budget setting process of the Council

Financial Year	Number eligible children		Full year effect	Take-up rate	Indicative places	Indicative Budget implication £,000
	April	Sept				
2012-13	195	200	198	85%	169	£506
2013-14	200	750	567	80%	454	£1,362
2014-15	750	1500	1250	80%	1000	£3,000
2015-16	1500	1500	1500	85%	1275	£3,825

- 7.11 Capital costs. The Department of Education has not provided local authorities with additional capital budgets in association with this new duty. Consequently any additional build or capital improvements will need to be met from within existing resources, or from private sector sources. In particular, the additional revenue funding that will be available to the market may allow businesses and organisations to secure bank loans or other private finance for capital improvements or expansion.
- 7.12 The systems and processes for checking of eligibility, recording of attendance and payment to settings, will be developed during 2012-13 in advance of implementation, funded from within the current revenue budget.

8. Recommendations

The Cabinet is asked to instruct officers to undertake the following:

- 8.1 To develop a robust and detailed project plan to ensure that by September 2013 the authority is able to meet its statutory duty to provide free early education places for children aged two years from low income households.
- 8.2 To encourage providers of good quality early education and childcare to engage with the programme for two-year-olds, and to maximise opportunities to expand and develop new provision to meet the needs of local families.
- 8.3 To enable school governing bodies in Medway to develop provision for younger children should they seek to do so, by supporting the development of places for two- and three-year-olds, unless there are specific reasons to object. Cabinet will only determine the outcome of a statutory public notice should there be formal objections to the proposal.
- 8.4 To continue to promote the work of Medway's Sure Start Children's Centres as coordinators of early help and support for families with very young children, with a particular focus on the most vulnerable children and families, to ensure a fair and strong start for children's learning.
- 8.5 To work with the Medway Schools Forum to prepare for changing responsibilities to be met from within the Dedicated Schools Grant.

9. Suggested reasons for decision(s)

- 9.1 The local authority is obliged to meet the new duty within the Education Act 2011 to secure places for children aged two years from eligible families.
- 9.2 The development of a robust project plan, and a programme of working with existing good quality providers in the private, voluntary, independent and maintained sectors, across the next 12 to 24 months will provide a secure basis for expansion of places whilst maintaining a focus on high quality provision for both the child and the family as a whole.

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Background papers

None

Diversity Impact Assessment: Screening Form

Directorate CHILDREN & ADULTS	Name of Function or Policy or Major Service Change Early Education For Two Year-Olds		
Officer responsible for assessment Mark Holmes Strategic manager early years services	Date of assessment July 2012	New or existing? New	
Defining what is being assessed			
1. Briefly describe the purpose and objectives	The government has introduced legislation that places a duty on the local authority to provide free early education for children aged two years. Initially in 2013 this will comprise the 20% least advantaged children, increasing to encompass 40% of children in 2014. The free entitlement is for 15 hours per week across 38 weeks per year (or equivalent). The objective is to improve early childhood development, improve school readiness, and reduce current inequalities in attainment and outcomes for children.		
2. Who is intended to benefit, and in what way?	The most recent statistics show that fewer than half of all children who live in the most deprived areas achieve a good level of development at age five, compared with nearly 70 per cent of those living in the least deprived areas. Children who have access to high quality early education are more likely to start school ready and able to learn, with the skills they need to succeed. The programme initially encompasses children in households that are eligible to free school meals, and all children who are looked after by the local authority. In 2014 the programme will expand to encompass other groups of less advantaged and lower income children.		
3. What outcomes are wanted?	Sufficient places of an appropriately high standard to ensure that eligible children can access an early education place Improved learning and development during the period of the early education, and sustained improvement upon commencement of universal nursery education and into school.		

<p>4. What factors/forces could contribute/detract from the outcomes?</p>	<p>Contribute Engagement of providers of early education (pre-schools, nurseries, childminders and schools) Integration with Sure Start Children's Centres and key professionals working with families, especially Health Visitors</p>	<p>Detract Shortages of places – caused by limited physical capacity, suitability of environment, or sufficiency of appropriately skilled and qualified workforce</p>
<p>5. Who are the main stakeholders?</p>	<p>Families with young children Local authority – statutory duty Sure Start Children's Centres Health Visitors and other professionals Providers of early education – pre-schools, nurseries, childminders, and schools HMRC / Department of Work & Pensions</p>	
<p>6. Who implements this and who is responsible?</p>	<p>Statutory responsibility lies with the Local Authority - Children & Adults directorate. Delivery will be via providers in the maintained, private and voluntary sectors.</p>	

Assessing impact		
7. Are there concerns that there <u>could</u> be a differential impact due to <i>racial/ethnic groups</i>?	YES	Brief statement of main issue
	NO	
What evidence exists for this?	Entitlement will encompass all racial /ethnic groups	
8. Are there concerns that there <u>could</u> be a differential impact due to <i>disability</i>?	YES	Brief statement of main issue
	NO	
What evidence exists for this?	Entitlement will encompass all children irrespective of additional need or disability	
9. Are there concerns that there <u>could</u> be a differential impact due to <i>gender</i>?	YES	Brief statement of main issue
	NO	
What evidence exists for this?	Entitlement will encompass boys and girls equally	
10. Are there concerns there <u>could</u> be a differential impact due to <i>sexual orientation</i>?	YES	Brief statement of main issue
	NO	
What evidence exists for this?	Entitlement will encompass all families with young children.	
11. Are there concerns there <u>could</u> be a have a differential impact due to <i>religion or belief</i>?	YES	Brief statement of main issue
	NO	
What evidence exists for this?	Entitlement will encompass all families with young children.	
12. Are there concerns there <u>could</u> be a differential impact due to people's <i>age</i>?	YES	Brief statement of main issue
	NO	
What evidence exists for this?	The entitlement is specifically for children aged 2 years only.	
13. Are there concerns that there <u>could</u> be a differential impact due to <i>being transgendered or transsexual</i>?	YES	Brief statement of main issue
	NO	
What evidence exists for this?	Entitlement will encompass all families with young children.	

14. Are there any <i>other</i> groups that would find it difficult to access/make use of the function (e.g. speakers of other languages; people with caring responsibilities or dependants; those with an offending past; or people living in rural areas)?	YES	If yes, which group(s)? Looked After Children (children who are in the care of the local authority)
	NO	
What evidence exists for this?	All Looked After children will be eligible within the first phase of the programme.	
15. Are there concerns there <u>could</u> be a have a differential impact due to <i>multiple discriminations</i> (e.g. disability <u>and</u> age)?	YES	Brief statement of main issue
	NO	Low income households – workless and working.
What evidence exists for this?	The objective is to particularly focus on the least advantaged children and households within the first phase of the programme.	

Conclusions & recommendation		
16. Could the differential impacts identified in questions 7-15 amount to there being the potential for adverse impact?	YES	Brief statement of main issue
	NO	
17. Can the adverse impact be justified on the grounds of promoting equality of opportunity for one group? Or another reason?	YES	<i>Please explain</i> The objective is to particularly focus on the least advantaged children and households, and Looked After children, within the first phase of the programme.
	NO	The objective is to reduce current inequalities experienced by these groups
Recommendation to proceed to a full impact assessment?		
NO	This function/ policy/ service change complies with the requirements of the legislation and there is evidence to show this is the case.	

Action plan to make Minor modifications		
Outcome	Actions (with date of completion)	Officer responsible

Planning ahead: Reminders for the next review		
Date of next review	January 2014	
Areas to check at next review (e.g. new census information, new legislation due)	Analysis of initial take-up of places from September 2013	
Is there <i>another</i> group (e.g. new communities) that is relevant and ought to be considered next time?		
Signed (completing officer/service manager)	Date	
Mark Holmes		
Signed (service manager/Assistant Director)	Date	
Juliet Sevier		

NB: Remember to list the evidence (i.e. documents and data sources) used