

**DELIVERING THE EXTENDED ENTITLEMENT TO AN ADDITIONAL 15 HOURS
FREE CHILDCARE FOR ELIGIBLE 3 AND 4 YEAR OLDS NATIONALLY FROM
SEPTEMBER 2017**

To: **Children and Young People's Committee**

Meeting Date: **14 March 2017**

From: **Interim Executive Director: Children, Families and Adults
Services**

Electoral division(s): **All**

Forward Plan ref: **Not applicable** *Key Decision:* **No**

Purpose: **To set out:**

- **The key challenges for the Council in delivering the extended early years and childcare entitlement for eligible 3 and 4 year olds; and**
- **The actions and approaches which have been developed to address these in order to secure implementation of the extended entitlement by 1 September 2017.**

Recommendation: **Members are asked to:**

- (a) Approve and support the proposed approach to ensure that the Council fulfils its statutory duties with regard to the extended entitlement to early learning and childcare for eligible 3 and 4 year olds and**
- (b) To confirm the adoption of the Early Years Funding Formula with effect from 2017/18.**

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1.0 BACKGROUND

- 1.1 In April 2004, local authorities (LAs) became responsible for securing a free part-time education placement for every child from the term following their 3rd birthday whose parents want one.
- 1.2 Under the Childcare Act 2006, LAs have specific sufficiency duties, including to secure:
- sufficient and suitable childcare places to enable parents to work, or to undertake education or training which could lead to employment;
 - sufficient and suitable early years places to meet predicted demand; and
 - free early years provision for all 3 and 4 year olds (and the 40% most vulnerable 2 year olds) of 15 hours per week 38 weeks per year.

Appendix 1 shows the full list of statutory responsibilities of the local authority linked to free early learning and childcare for 2, 3 and 4 year olds.

- 1.3 The requirement upon LAs has increased to include implementing the government's commitment to extend the free entitlement to early years education and childcare for 3 and 4 year olds nationally from 15 to 30 hours a week for working parents from September 2017 who meet the associated qualifying criteria.

Appendix 2 sets out the eligibility criteria.

- 1.4 The results of the government's consultation, confirming this national policy, were published on 5 November 2016.

2.0 MAIN ISSUES

- 2.1.2 The major challenges identified in meeting the Council's statutory duties to deliver the extended entitlement are set out below. Work streams are focussing on these areas, plus a communications strategy, as part of the Council's plans for delivery by the national implementation date of September 2017. A steering group has been established to oversee this work.
- 2.1.3 Implementation of this extended entitlement is a corporate duty and not solely the reserve of the early years and places planning services within the Council. The drive behind the government's extended entitlement policy is economic regeneration and tackling poverty. Early experiences from the eight pilot authorities which include the cities of Portsmouth and York as well as Hertfordshire and Staffordshire, confirm that access to 30 hours weekly free childcare is radically changing the lives of lower income families for the better. Based on predicted funding rates Cambridgeshire families who are eligible for the extended entitlement could, on average, save £2565 per annum on childcare costs.

2.2 Funding

- 2.2.1 The results of the government's consultation on *Early years funding: changes to funding for 3- and 4-year-olds* which closed 22 September 2016, were published on 1 December 2016. This response confirmed the requirements of the local authority in developing its Early Years Funding Formula and the

amount of funding to be received as the Early Years Block in the Dedicated Schools Grant for 2017/18.

2.2.2 Consultation took place in Cambridgeshire between 19 December 2016 and 23 January 2017 detailing the proposed Early Years Funding Formula and rates for Cambridgeshire early years providers. A copy of the consultation document is shown at **Appendix 3**.

2.2.3 There were 122 responses received to the consultation and to the two questions asked. The number of responses to each question were as follows:

- *Do you agree with our proposal to implement the new funding rate from April 2017? The alternative, to implement from September 2017, would enable the base rate to be 2p higher.*
Yes – 60 responses
No – 44 responses
Don't know – 18 responses
- *Should we reduce the deprivation supplements at band 3 and 4 by 5p or should we keep them the same? Keeping the deprivation banding rates the same would reduce the base rate by 1p*
Yes – 85 responses
No – 15 responses
Don't know – 22 responses

Using these responses it is proposed to implement the new funding rate and to implement the changes to reduce deprivation band rates 3 and 4 by 5p from April 2017.

2.2.4 The government's consultation response also confirmed the duty of the local authority to create an SEN Inclusion Fund from April 2017. Through match funding from the High Needs and Early Years Blocks of Dedicated Schools Grant an amount of £1m has been identified for the 2017/18 financial year. This decision and agreement to the amount to be centrally retained from the Early Years Block have been recommended to and approved by the Cambridgeshire Schools Forum.

2.2.3 The proposed hourly rate to be paid to all Cambridgeshire providers for delivery of the 3 and 4 year old "universal" and "extended" entitlement will be £4.04. This rate is higher on average, than the basic hourly rate currently paid to Cambridgeshire providers for the delivery of the "universal entitlement". However, this same rate will represent a significant reduction in hourly rate for some providers from the rate they currently charge working parents who purchase hours between 15 and 30 hours, which will now become part of the "extended entitlement" from September 2017. Depending on delivery models of settings affected this will represent a loss of income and for some providers may make delivery of the "extended entitlement" financially unviable.

2.3 Capital Funding

2.3.1 The Department for Education (DfE) has made available up to £50m capital funding which local authorities have been able to bid for under a two stage process. Recognised as a county of growth at the end of the first stage, Cambridgeshire was permitted to submit up to 6 bids. Each bid could not

exceed £1m in value, could only be used for delivery of new places required to meet the extended entitlement and which could create those places by August 2017.

2.3.2 Cambridgeshire was successful with one of its bids with £714,127 being awarded for the expansion of Sawtry Pre-school

2.3.2 Unsuccessful bids not already included with the Education Capital Programme, will need to be considered for inclusion in the programme in accordance with approval given by Committee on 13th September 2016, as required.

2.4 Revenue Funding

2.4.1 There is no revenue or incentive funding to support running of new settings to meet the demand in areas where there is no provision

2.5 Sufficiency

2.5.1 Maintaining an appropriate match between current and predicted demand for early years and childcare places is much more challenging than school place planning. There are many more variables which make forecasting demand for the 0-4 age range less accurate than for 5-19 year olds. In particular:

- attendance at early years provision is not compulsory
- there is a mixed economy of 500+ providers which include maintained settings, daycare chains, private/voluntary/independent (PVI) providers
- parents/families have different needs – full daycare or just accessing their universal entitlement of 15 hours

2.5.2 We know the families who are already paying for additional childcare hours, above the universal entitlement of 15 hours per week. This means that many children will already be in a place and not require a new one. However, it is extremely difficult to predict how many more families will wish to take up the extended entitlement and thus where the need for additional places will be. There remain the risks if we get it wrong, of failing to deliver on our statutory duty. However, if we over-provide and flood an area of the market with places that are not taken up, providers will find it hard to attract sufficient children for their setting to be financially viable.

2.5.3 The Department for Education (DfE) estimates that there are 5010 children in Cambridgeshire who will be entitled to 30 hours free childcare.

2.6 Childcare sufficiency assessment

2.6.1 At its meeting in February 2016 Members approved the revised *Policy on The Provision of Early Years Education and Childcare*. It included reference to the fact that the requirement for LAs to undertake an assessment of the sufficiency of childcare provision every three years was removed in 2014. However, it had been the intention to continue to undertake an in-depth childcare sufficiency assessment (CSA) and survey of parents every three years.

- 2.6.2 The resource to carry out such an in-depth non-statutory assessment can no longer be justified given the Council's need to make significant savings but officers continue to measure capacity of provision and take up of early years places across the County via a number of different means including provider surveys, termly census questionnaire and data from providers captured by the Provider Portal; all of these approaches are being used to plan for the implementation of the extended entitlement. The Council's approach to the requirement to keep the sufficiency of places under annual review is delivered as part of the Cambridgeshire Education Organisation Plan which is reviewed and published annually in the autumn term.

2.6 PROGRESS TOWARDS IMPLEMENTATION

- 2.6.1 Over the past few months the focus of officers has been on identifying how much additional provision we are likely to need in different areas for September 2017. As outlined in 2.5.2 above, officers have been drawing on a range of sources to make forecasting as accurate as possible.

- 2.6.1 An Action Plan has been drawn up based around the following key actions:-

2.6.2 To secure sufficient places available in time for implementation in September 2017

- Information, to be gathered on an ongoing basis, using a variety of communication routes to support our understanding of the demand from parents in Cambridgeshire for the extended entitlement.
- Funding has been identified to commission an external organisation and an extension to existing contracts for the next two years with professional childcare associations working in Cambridgeshire. This will allow focused work with settings in areas of sufficiency and will include developing individual, financially sustainable models of provision, or collaborative models across a number of settings and providers to ensure that parents can access their entitlement.
- Development of a Cambridgeshire Early Years Single Funding Formula, within the constraints of the national funding formula proposals, which meets the needs of as many providers within Cambridgeshire to enable them to deliver the extended entitlement either individually, or in collaboration with other providers.

2.6.3 To secure sufficient capital funding to deliver capital projects to meet demand

- Work continues to identify capital funding requirements and to support development of projects in areas of high demand.
- DfE have suggested that further capital funding may be available later in 2017. This situation continues to be monitored.

2.6.4 To ensure parents are aware of the entitlement and provide advice and support to providers and settings to enable them to deliver the entitlement from September 2017

- A co-ordinated approach to the provision of information to parents and providers is being developed to ensure that the information received is consistent and delivered in a variety of forms to meet the needs of a variety of audiences.
- A suite of tools, support, advice and training is being developed to support settings to develop their extended offer to parents. For example, officers have devised a tool to enable providers to model various funding scenarios as part of their business planning for the delivery of the extended entitlement.

2.6.5 To ensure back office process and systems are in place for implementation

- Regular meetings are taking place with the Early Years Funding System software provider, Capita, and the Council's IT and Digital Service to ensure that the system improvements are delivered and integrated into our current systems by September 2017.

3.0 ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

3.1.1 Under Section 6 of the Childcare Act 2006 LAs have a duty to secure, so far as is reasonably practicable, sufficient childcare (whether or not by them) to meet the requirements of parents in order to enable them to work or undertake training leading to work. This applies to childcare for children aged 0 – 14 years, and up to 18 years for those with disabilities.

3.1.2 The following bullet points set out details of implications identified by officers:

- up to 5010 children living in Cambridgeshire will be eligible for this extended entitlement;
- the government identified that the average annual childcare cost saving for families will be approximately £2500 per year;
- the barrier linked to the cost of childcare will be removed allowing parents to return to work sooner and for longer;
- the barrier linked to the cost of childcare will no longer prevent parents from taking up work development and training opportunities to support themselves back into work;
- more families with more disposable income will support growth of local businesses and local economies.

3.2 Helping people live healthy and independent lives

3.2.1 Accessible early years and childcare provision is a major contributor to helping people live healthy and independent lives as it provides opportunities for parents to train and/or take up employment.

3.3 Supporting and protecting vulnerable people

- 3.3.1 There are no significant implications within this category which have not already been identified in 3.1 and 3.2 above.

4.0 SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

- 4.1.1 The following bullet points set out details of significant implications identified by officers:
- The funding identified to enable the engagement of an external organisation and an extension to existing contracts for the next two years with professional childcare associations working in Cambridgeshire to support the preparation for and implementation of the extended entitlement, has been approved by Schools Forum from the Early Years Block.
 - The level of funding identified by central government to support the delivery of this extended entitlement has been challenged nationally and locally. The hourly rate proposed in Cambridgeshire will not, in all areas, be at a level equivalent to existing hourly rates charged by providers for these additional 15 hours, thus reducing profit margins for private providers.
 - Non-profit making providers have identified that the new hourly rate proposed is not at a level sufficient to meet the cost of the staffing and overheads required to deliver these additional hours.

4.2 Statutory, Legal and Risk

- 4.2.1 Section 1 of the report above and Appendix 1 sets out the details of significant implications.

4.3 Equality and Diversity

- 4.3.1 Sufficient good quality early years provision is essential in securing better outcomes for all disadvantaged groups. There is a commitment on the part of the Council to support resourcing disability access funding to enable those children with special educational needs and disability to access the extended entitlement. It will not be possible to confirm the exact nature and level of this funding until the outcome of the early years funding consultation referred to in section 2.2 above is known.

4.4 Engagement and Communications

- 4.4.1 There is a clear requirement upon LAs to ensure that all parents and those working with families are aware of the extended entitlement and that they update their childcare information on a termly basis. Equally important is that all providers and settings are aware of the entitlement and receive support, advice and training to enable them to deliver this entitlement from September 2017. The Council has a successful track record with regard to implementing the previous government childcare strategy relating to 15 hours of free childcare for the most vulnerable 2 year olds. Officers will continue to use a range of general and targeted promotional tools and activities to support the implementation of the extended entitlement.
- 4.4.2 Where new EY provision is proposed there is an expectation that consultation will take place with the local community and existing providers.

4.5 Localism and Local Member Involvement

- 4.5.1 The following bullet points set out details of significant implications identified by officers:
- As identified in 2.2.2 and 4.1.1 above, a number of providers of early years education and childcare have identified concerns about the financial viability for their setting in delivering this entitlement. Some providers have already been in contact with their local MP and may already be in contact with their local member. Where this is happening there is a need for local members to engage with the providers concerned and to encourage and support them to work collaboratively to ensure that parents are able to access their entitlement.
 - In addition to the provision of information to parents local members are urged to actively encourage and support low income and vulnerable working families in their area to be fully informed about this entitlement and support them in identifying their eligibility through HMRC.

4.6 Public Health

- 4.6.1 There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: M Wade (CYP)
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	No response received Name of Legal Officer: Lynne Owen
Are there any Equality and Diversity implications?	Yes. Paragraph 4.3 refers Name of Officer: CFA Service Director
Have any engagement and communication implications been cleared by Communications?	No response received Name of Officer: Simon Cobby
Are there any Localism and Local Member involvement issues?	Yes. Paragraph 4.5 refers Name of Officer: CFA Service Director
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Raj Lakshman

Source Documents	Location
<p><i>Childcare Bill Policy Statement – December 2015</i> https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/482517/Childcare_Bill_Policy_Statement_12.03.2015.pdf</p> <p><i>30 hour free childcare entitlement: delivery model – November 2016</i> The government's response to the consultation on the key elements of the operation and delivery of the 30 hour extended free entitlement. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/565668/Government_response_-_30_hours_delivery_consultation.pdf</p> <p>Early years funding: changes to funding for 3- and 4-year-olds. The government's response to this consultation was published on 1st December 2016 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574040/Early_years_funding_government_consultation_response.pdf</p>	<p>Second Floor, Octagon Shire Hall, Cambridge</p>

Local Authorities Statutory Duties relating to childcare

- Secure sufficient funded places offering 570 hours a year (15 hours per week) over no fewer than 38 weeks of the year for eligible two year olds and all 3 and 4 year olds in their area, “universal entitlement”;
- Secure additional funded places of up to 570 hours a year over no fewer than 38 weeks of the year for qualifying 3 and 4 year olds in their area, “extended entitlement”;
- Secure sufficient childcare, so far as is reasonably practicable, for working parents, or parents who are studying or training for employment for children aged 0-14 (or up to 18 for disabled children);
- Fund these places using a locally determined, transparent formula in accordance with statutory guidance and funding issued to the LA under the early years national funding formula;
- Provide information to parents and prospective parents on the provision of childcare in their area; and
- Secure information, advice and training for providers in their area linked to their statutory responsibilities.

Eligibility Criteria for the extended entitlement to 30 hours childcare for 3 and 4 year olds

- Both parents are working (or the sole parent is working in a lone parent family);
- Each parent has a weekly minimum income equivalent to 16 hours at National Minimum Wage or Living Wage; and
- Neither parent has an income of more than £100k per year

Government Early Years National Funding Formula Consultation

The Government consultation regarding the Early Years National Funding Formula ended in September and the results were released on 1st December 2016.

<https://www.gov.uk/government/consultations/early-years-funding-changes-to-funding-for-3-and-4-year-olds>

The significant points from the consultation are summarised below:

- The funding to local authorities is calculated on the basis of a universal base rate for all providers plus factors for additional needs, based on measures of free school meals, disability living allowance and English as an additional language. These amounts are added together and multiplied by an area cost adjustment to reflect variations in local costs.
- All providers will be paid a local universal base rate of funding by 2019-20 at the latest (i.e. no differential rates for settings of different types).
- Supplementary funding will be provided to maintained nursery schools for the duration of this parliament. This will maintain their funding at a similar level to at present.
- The Deprivation supplement will be the only mandatory supplement within the formula.
- The only other additional supplements that will be allowed (but not required) are related to Rurality / Sparsity, Flexibility, Quality and English as an additional language.
- Funding supplements will be capped at a maximum value of 10% of overall funding.
- Local authorities will be required to pass on a minimum of 93% of funding to providers in 2017/18 and then 95% in each year thereafter.
- There are also two changes concerning Special Educational Needs which are explained in detail below:

Disability Access Funding

An additional Disability Access Fund has been created by the government. The documentation explains that the fund is to *“aid access to early years places by, for example, supporting providers in making reasonable adjustments to their settings and/or helping with building capacity (be that for the child in question or for the benefit of children as a whole attending the setting)”*.

Eligibility: Three and four-year olds will be eligible for Disability Access Funding if they are in receipt of child disability living allowance and if they also receive free early education. Four-year olds in reception class will not be eligible for this funding.

Entitlement: The settings of eligible children will receive a one-off payment of £615 per year and children will not need to take up the full 570 hours of early education to receive the Disability Access Funding.

Identifying eligible children: Early Years providers will be responsible for identifying eligible children and will be able to use the parent declaration form template that is due to be published alongside the model agreement in early 2017 to identify these children.

Funding: Funding will be provided to Local Authorities to pass onto settings in a lump sums. Where the free entitlement is split across multiple providers, the parents will be asked to nominate the main setting who will receive the full funding.

SEN Inclusion Fund

Local authorities will be required to establish an inclusion fund for 3 and 4 year olds with Special Educational Needs taking the free entitlement.

Eligibility: The requirement for an inclusion fund is specifically for 3 and 4 year olds although a similar approach can also be taken for 2 year-olds and is intended to be targeted at those children with lower level or emerging SEN.

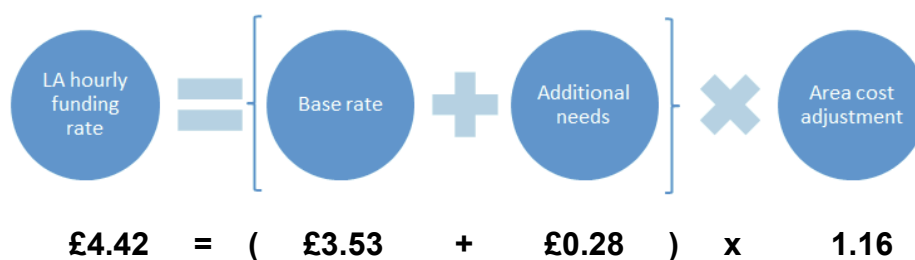
To create the SEN Inclusion Fund, local authorities will combine funding from either one or both of their early years block and high needs block of the Dedicated Schools Grant. Local authorities should pass the majority of their SEN Inclusion Fund to providers in the form of top-up grants on a case by case basis.

All early years providers with funded 3 and 4 year olds will be eligible to receive support from the SEN inclusion fund.

1) Proposed Cambridgeshire Early Years Funding Formula

When formulating the proposed formula we have considered the views of providers via meetings with the Early Years Provider Reference Group. The sections below detail our proposed local formula in which we have sought to keep funding within the base rate where possible to give providers maximum flexibility to determine operating models whilst providing sufficient funding for the SEN inclusion fund and deprivation supplement.

As referenced in section 1, the funding to local authorities is calculated on the basis of 3 factors; a universal base rate of funding, plus additional needs factors and then multiplied by an area cost adjustment. For Cambridgeshire this results in overall funding of £4.42 per hour:



The government have indicated that the average rate to providers nationally once different factors have been included will equate to £4.88. Please note this includes factors such as EYPP, the recently allowed maintained nursery supplement and the disability access funding. The equivalent figure for Cambridgeshire would be £4.64 if calculated in the same way.

Supplements

To keep the formula as simple as possible and to keep funding within the base rate we are proposing to keep Deprivation as the only supplement within the

formula. This would be allocated in the same way as at present at the following rates:

Rank	Residence of child	IDACI Rank	Value per hour
1	Highest 10% per IDACI	0 - 3284	£1.30
2	Next highest 10% per IDACI	3285 - 6568	£1.00
3	Third highest 10% per IDACI	6569 – 9852	£0.65
4	Fourth highest 10% per IDACI	9853 - 13136	£0.30
0	Remaining 60% least deprived	13137 - 32844	£0.00

This represents a 5p reduction for bands 3 and 4 with the funding level and band 1 and 2 remaining the unchanged.

SEN Inclusion Fund

Funding of £0.5m per year has been provided from within the High Needs Block of funding to support the creation of an SEN inclusion fund. We are intending to add a further £0.5m from within the Early Years Block to create an overall fund of £1m from which to finance the SEN inclusion fund and Education Health and Care Plans (EHCPs) within Early Years.

The SEN inclusion fund will be available from April 17 in the form of top-ups or lump sums for providers relating to the needs of individual pupils. Work is ongoing to look at how the inclusion fund will work in practice including the thresholds for support, the funding amounts and the process for accessing the funding. This will replace the existing Early Years Access funding although criteria for support will not necessarily be the same. Further information will be provided in due course about this.

Early Years Centrally Retained Funding

Funding retained centrally by the Local Authority to fund our statutory duties will account for approximately 3.9% of the funding provided (dependent on pupil numbers) which is below the final limit set by government of 5% from 2018/19 of 5%.

What Base Rate does this give?

Overall funding paid to local authority	£4.42
Less: Est. Deprivation Funding	£0.14
Less: SEN Inclusion Fund contribution	£0.07
Less: LA centrally Retained Funding	£0.17
Base Rate to all providers	£4.04

Funding in addition to the hourly rate

Deprivation Supplement: Will continue at the rates outlined earlier in this document.

Early Years Pupil Premium: Will continue to be paid at a rate of £0.53 per hour for eligible children.

Disability Access Funding: £615 lump sum paid to settings for eligible children.

Top-up funding due to EHCPs or from SEN Inclusion fund: Funding rates from the SEN inclusion fund for eligible children will be confirmed in due course.

2 Year-old funding

2 Year-old funding will continue to be administered in the same way as currently. Cambridgeshire will receive a higher rate of £5.41 (from £5.05 at present) and this will be passed on in full to providers from April 17 onwards.

Funding to Nursery Schools

The move to a universal base rate of funding for all providers would have the biggest impact on maintained nursery schools. The government have therefore provided additional funding to enable funding levels to nursery schools to be maintained for the duration of this parliament.

It is our intention to pass on the additional funding to maintained nursery schools as an additional hourly supplement separate to the base rate of £4.04.

We will review the local formula annually and will recycle money back into the formula where possible, for example if the amount paid through the Deprivation went down then this money would go back into the base rate.

2) Alternative Options

Delay Implementation until September 17

One option that was discussed with the Early Years Provider Reference Group would be to delay implementation of the new funding formula until September 17 as opposed to from April 17. This would provide an additional sum of one-off funding that would be the difference between the old overall funding rate from government and the new one.

Depending on pupil numbers then this provides approximately £800k of one-off funding. This funding could be used to increase the base rate by 2p to £4.06 for the first few years, this would be sustainable in the long term as funding can be released from the local authority central funding when a number of fixed term posts finish at the end of 2018/19.

We are minded not to use this option and to instead implement the new formula as soon as possible although we would welcome your views on this. If this option is taken then the funding rate would be £4.04 initially but would increase by 2p later once the fixed term posts finish in late 2018/19.

Question: Do you agree with our proposal to implement the new funding rate from April 2017? The alternative, to implement from September 2017, would enable the base rate to be 2p higher.

Deprivation Supplement

As mentioned, the deprivation supplement is mandatory for all local authorities. In our proposed formula we have lowered the deprivation supplement payable by 5p for bands 3 and 4. Another option would be to keep deprivation rates as they are at present which would then lower the hourly base rate to £4.03.

Question: Should we reduce the Deprivation supplements at band 3 and 4 by 5p, or should we keep them the same? Keeping the Deprivation banding rates the same would reduce the base rate by 1p.