
**Manchester City Council
Report for Information**

Report to: Children and Young People Scrutiny Committee – 21
June 2016

Subject: The provision and rates of funding for the Free Early Education
Entitlement for 2, 3 and 4 year olds

Report of: Director of Education and Skills

Summary

Education of 3 and 4 year olds:
This report provides the committee with an update on the provision of, and rates of funding for, Free Early Education Entitlement places for 2,3 and 4 year olds in schools and settings.

Recommendation

Members are asked to note the contents of the report.

Wards Affected: All

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Background documents (available for public inspection):

None.

1.0 Introduction

The Government's Free Early Education Entitlement policy provides funding for 15 hours of early education for a targeted group of two year olds and universal provision of funding for 15 hours for the early education of three and four year olds. Historically MCC has, in addition, supported the universal provision of full time equivalent places in schools in the year before Reception.

Context : The Free Early Education Entitlement (FEEE)

1.1 Targeted 2 year olds

The Free Early Education Entitlement for 2 year old children is a targeted fund for the 40% most disadvantaged two year olds. Children who are two years old are entitled to 15 hours of early education over 38 weeks if their families meet the eligibility criteria.

These include, for example, eligibility for free school meals, children who are looked after or have been adopted from care and children who have a disability allowance, a statement of special educational need or an education, health and care plan. The entitlement can be accessed in schools, nursery schools, private, voluntary and independent settings, playgroups and childminders.

Eligible children can draw down the funding from the term following their second birthday. This means that children born in the period 1st January to 31st March are eligible from the start of term beginning on or following **1st April** after the child's second birthday; children born in the period 1st April to 31st August from the start of term beginning on or following **1st September** after the child's second birthday and children born in the period 1st September to 31st December from the start of term beginning on or following **1st January**.

1.1.1 Universal Offer for 3 and 4 year olds

All three and four year old children nationally are entitled to a universal offer of 15 hours of free early education over 38 weeks. As with the entitlement for two year olds this can be accessed in schools, nursery schools, private, voluntary and independent settings, playgroups and childminders. Similarly the child's entitlement to the funding for three and four year olds begins in the term following their third birthday. Children born in the period 1st January to 31st March are eligible for funding from the start of term beginning on or following **1st April** after the child's third birthday; children born in the period 1st April to 31st August: the start of term beginning on or following **1st September** after the child's third birthday and children born in the period 1st September to 31st December: the start of term beginning on or following **1st January** after the child's third birthday.

The way in which the entitlement is accessed can also depend on the family arrangement and arrangements within the setting. For example some parents require childcare to fit with their working or training needs. Some settings, such as childminders, offer greater flexibility outside traditional school hours and structures to meet these needs.

2.0 Take up of places for the Free Early Education Entitlement

2.1 Two Year Olds

4,232 two year olds in Manchester have been identified by the Department for Work and Pensions as eligible for the FEEE for two year olds. Currently Manchester has placed 74% of those eligible compared with the most recent national average of 72%.

A small minority of 2 year old children access their 15 hour entitlement in schools. 4 schools have provision for two year olds. The vast majority of children who are eligible take up their places in Early Years settings including with childminders.

Work to increase capacity continues through capital funding identified for this age group, awareness raising, networks and support for families to access provision. 359 further full time equivalent places have been created in the private sector. This has the potential to meet the needs of at least 718 eligible 2 year olds in the City.

2.2 Three and Four Year Olds

The January 16 census confirms that 2252 Manchester resident 3 year olds and 366 Manchester resident 4 year olds access their early education entitlement in the PVI sector. This compares with 4,418 3 year olds and 6,816 4 year olds accessing place in a school nursery.

3.0 Funding rates for the Free Early Education Entitlement

Age group	Setting	Base Rate £	Deprivation rate £	Quality Supplement £	Total Hourly Rate £
2 year olds	All settings	4.85			4.85
3 - 4 year olds	Nursery Schools	7.31	<u>0.00 - 0.25</u>	1.15	8.46 - 8.71
	School Nurseries	2.35	<u>0.00 - 0.25</u>	1.15	3.50 - 3.75
	PVI Childminder	2.00	<u>0.00 - 0.25</u>	1.15	<u>3.15 - 3.40</u>
	PVI Day Nursery	2.30	<u>0.00 - 0.25</u>	1.15	3.45 - 3.70
	PVI Playgroup	2.05	<u>0.00 - 0.25</u>	1.15	<u>3.20 - 3.45</u>

3.1 Current payment rates for the Free Early Education Entitlements are as follows:

The FEEE rate for **two year old** children is the same in all settings across Manchester and reflects the higher staff to child ratio required in the care of two year olds (1:4) when compared to the ratio for children who are 3 or 4 years old (1:8 or 1:13 within specific hours of the day).

Manchester's rate of £4.85 is in line with those paid across the Greater Manchester region. Manchester City Council receives £4.95 per child per hour for each two year old child taking up their entitlement. In February 2015 Schools Funding Forum agreed that the rate paid would remain at £4.85 per child per hour. 10p per child per hour is retained to cover central administration costs. A proportion of the retained element is also used for the purposes of a discretionary fund. The discretionary fund is used to support a small number of children whose families do not meet the criteria but where professionals have particular concerns about the child.

The rate for **3 and 4 year olds** agreed by Schools Forum for payment from the financial year 2011/12 is made up of three portions, a base rate, a quality supplement and a deprivation payment. The **base rate** is derived from a cost analysis of provision and legal requirements for staffing levels. The **quality supplement** of £1.15 per child per hour is paid to all providers. Settings are expected to engage with the LA's QA framework and work towards the achievement of an Ofsted outcome of at least Good. The LA can, and does, withdraw this element of funding if a setting is judged Inadequate and provides support for settings judged Requires Improvement to help them to improve the quality of provision. The **deprivation rate** is paid on a sliding scale ranging from 0.25 pence per hour for children in the most deprived areas to 0.00 pence for those in the least deprived areas.

3.1.2: Funding rate comparisons with neighbouring LAs

A sample survey of rates paid across 19 Local Authorities in the North West in May 2016 indicated that payments for each sector were within the following ranges:

Nursery Schools: £3.25 to £8.71 with Manchester paying £8.71.

School Nurseries: £3.06 to £4.77 with Manchester paying £3.75

Childminders: £3.03- £6.03 with the majority paying between £3.03 and £3.50 and Manchester paying up to £3.40.

PVI sector (daycare provision): £2.50-£4.18 with the majority paying between £3.00 and £3.60. and Manchester paying up to £3.70. Manchester historically pays a lower amount to sessional care providers.

Manchester is broadly in line with neighbouring Local Authorities for the majority of these rates. Historically, in Manchester, nursery schools have received a higher base rate to reflect their operating costs and management support from a head teacher. Nationally the rates paid for the FEEE for 3 and 4 year olds may be reviewed following completion of the Government's pilot for the provision of 30 hours of early education for eligible children. Response from the sector indicates that the lower end of the current rates make it challenging to maintain business sustainability.

Manchester's rates for 3 and 4 year olds have not been revised in recent years. The costs to the sector in the current financial context continue to rise.

3.1.3 Funding for additional hours for 3 and 4 year olds in schools

Historically Manchester City Council has also funded an additional ten hours of early years education places in schools on top of the 15 hour entitlement, bringing the entitlement up to a 25 hour full time equivalent place. This decision enabled parents and carers to access a free full time place for school based nursery education. This position was revised in 2012 when the funding of an additional 10 hours in schools was targeted according to need based on criteria agreed with schools.

In September 2014, following a further agreement at the Schools Forum, the funding of the additional 10 hours on a place basis in schools by the Council ceased. For Early Years the Council has a consistent offer across schools and PVI settings of 15 hours for each eligible child. The 15 hours free entitlement applies on a universal basis.

The additional funding previously allocated for the additional 10 hours of full time early years places, was moved into the Schools Block funding to enable schools to have flexibility about how they use the funds to meet need. The revised arrangement continues to provide the funding to schools through the main school budget for 5-11 year olds, giving individual schools the choice to continue to offer full time nursery places. It is the decision of each school's Governing Body whether the school will fund 25 hour nursery places or whether to charge parents for any hours attended above 15 hours per week during term time. The vast majority of schools continue to use this funding to provide full time places for three and four year olds in the Early Years provision as outlined above. Primary schools value the full time early years offer to support early learning and development during the Early Years Foundation Stage, particularly schools supporting children from more deprived backgrounds.

This approach to school funding

- ensures that the maximum Designated Schools Grant is used to fund schools including academies and free schools and gives the schools the flexibility to determine how resources are used to meet the needs of children in the local area and how best to deliver their local quality early years offer and improve outcomes for children;
- places decisions on the use of funding with schools; they can determine how to use resource and this is consistent with the new relationship between schools and the Council;

4.0 Access to school nursery places

Parents overwhelmingly choose to access their full time place in school where this is available. The Local Authority does not regulate this admission process because schools are responsible for their own nursery admissions. Currently not all children are able to access a full time place in a school.

The reasons for this include the minority of schools not offering free full time places to all children; population growth and the availability of capital funding to support expansion of nursery provision, Free Schools built without funding for nursery provision and parental choice. Some parents select a part time place and others seek places in the private sector because of the flexibility offered by providers. This can better meet the needs of some working parents.

A survey of the type of provision for 3 and 4 year olds made in Primary Schools was carried out in April 2016. The 98% response rate indicated that

- 74% schools offer full time nursery places to children for a full year starting in the September after the child's third birthday and have one intake/admission point in the year.
- 13% schools are offering full time places with between two and four admission points during the school year.
- 9% schools offer places according to their admission criteria following a main intake in September
- a very small minority have a rolling intake throughout the year
- the 5 Free schools, built without capital funding for nursery places do not currently offer nursery provision
- the vast majority of schools offer full time places for three and four year olds. A very small number of schools additionally offer part time places to children from the start of the term after their third birthday.
- 7 schools offer part time places only and 9 schools offer a combination of full time and part time sessions.
- in some parts of the City, including Didsbury and Chorlton, some schools do not make an offer of full time places and require parents to fund hours over and above the 15 hour entitlement.

4.1 Population growth

Population growth in the City has seen the expansion of the majority of Primary Schools from Year reception onwards. The Local Authority (LA) receives capital funding to support the expansion of provision in schools for places for children from age 5 (Reception year) upwards. There has been continued expansion within schools using this capital funding for children from age 5 and above. However this does not cover expansion of nursery provision. This funding arrangement reflects the expectation that the expansion of provision in the pre statutory sector will result from a market response to increasing demand. Consequently schools may have expanded their Reception Year cohort in response to demand for places without being able to similarly increase the number of nursery places offered to three and four year olds.

In response to growth the LA has created over a thousand places in childcare provision run from MCC centres as part of market stimulation. Applications are currently being processed for the creation of up to 200 places focusing specifically on areas where there is an identified need for places. In addition the LA has actively expressed interest in the Department of Education's (DfE) potential offer of capital funding linked to the proposed extension of funded hours from 15 to 30 hours for working parents who meet new threshold.

Strategically steps are being taken to strengthen working partnerships between schools and local private providers to encourage collaboration to support take up of places within the locality, the provision of school readiness support and smooth transition from setting to school.

5.0 Conclusion and Next Steps

The City continues to make progress in implementing the Early Years offer of ensuring access for families to affordable, accessible, quality childcare provision. To further secure this offer the next steps include

- continue to expand the number of places through use of existing capital funding available to create places for two year olds,
- review the rates paid to providers in the light of changing Government legislation, rates paid by neighbouring Authorities in Greater Manchester and challenges to business sustainability,
- strengthen the partnerships between private providers and schools to support school readiness, transition and take up of places in localities,
- work with the DfE to explore the possibility of further capital funding to develop the availability of nursery provision