

## Education and Skills Board

8 March 2017

### 30 hours free childcare for eligible working parents

**Purpose of report:** To apprise the Scrutiny Board of the extension of the Free Early Education entitlement for eligible working parents

#### Introduction:

1. The Childcare Act 2016 places a duty on Local Authorities to make sure there are enough childcare places of high quality for parents that allow them to work or to train. This includes sufficient provision for the 40% most disadvantaged 2 year olds and all 3 and 4 year olds to take up 570 hours of free early education and childcare per year (universal offer). This is usually taken as 15 hours per week over 38 weeks, but can be stretched across more weeks with less hours.
2. From September 2017 the universal offer will be increased for eligible working families of 3 and 4 year olds to 1,140 hours free early education and childcare (30 hours per week). The additional hours will help working families with childcare costs, which have been expressed by parents as being one of the main barriers preventing them, particularly mothers to return to work.
3. The duty to provide free early education and childcare places means that Surrey County Council needs to ensure that approximately 31,000 children can access a free universal 15 hour early education places and based on Department for Education (DfE) estimates around 8,450 of these children will be eligible for a free extended 30 hour place.
4. The Department for Work and Pensions are developing an online system for working parents to check their eligibility for the 30 hour places. If they meet the criteria they will be given confirmation to take to their chosen provide to prove their eligibility. The eligibility criteria is as follows:
  - Both parents are working or the sole parent is working in a loan parent family
  - Each parent has a weekly minimum income equivalent to 16 hours at national minimum wage, £107 per week or £5,574 per year or living wage, £115 per week or £5,990 per year
  - Neither parent has an income of more than £100,000 per year

5. A number of local authorities were selected by the DfE to become 'Early Innovators' and receive the 30 hours funding from September 2016. Surrey County Council was not successful in its bid to be considered as an Early Innovator so will implement the extended entitlement as part of the national roll out in September 2017.

**Early education and childcare sector in Surrey:**

6. To provide data on the sufficiency of early education and childcare places the Early Years and Childcare (EYCS) conducts a childcare sufficiency assessment, which is revised annually. The 2016 revised assessment shows the sector to be made up of the following:

<b>Childcare type</b>	<b>Number of providers</b>	<b>Number of places</b>
Pre-school provision in the private, voluntary and independent sector (PVI)	598	26,240
Pre-school provision in state maintained nursery schools and classes	74	3,971
Out of school (before and after school clubs and holiday play schemes)	511	22,096*
Home-based childcare (childminders)	1,505	8,259

\*a small percentage of these places will be offered as 15 hours free childcare places

7. Pre-school provision in the private, voluntary and independent sector (PVI) includes day nurseries, sessional pre-school playgroups and nursery units of independent schools. There are 504 group settings and 430 home-based childcare providers offering free early education places for two year olds (FEET). There are currently 1,883 disadvantaged 2 year olds were accessing FEET places.
8. The quality of early years and childcare provision in Surrey is high with 91% of settings rated by Ofsted as good (66%) or outstanding (25%). Support from EYCS through advice guidance and funding for staff to gain qualifications and degrees in early education and childcare have enabled many settings to achieve and sustain good and outstanding ratings.
9. The 2016 revised assessment identified that due to rising free early education take-up rates, pupil yield from planned housing developments across the county and increased number of 2 year olds eligible for free early education, there will not be sufficient early education and childcare places to meet future demand in some areas of the county. The ward clusters identified as not having sufficient provision are as follows:

<b>Borough</b>	<b>Ward cluster</b>	<b>Places</b>
Mole Valley	Holmwoods and Beare Green	3 & 4 year olds
Tandridge Reigate & Banstead	Bletchingley & Nutfield, Merstham, Redhill East and Redhill West	2, 3 & 4 year olds

Runnymede	Chertsey Meads, and Chertsey St Ann's	2, 3 & 4 year olds
Runnymede	Addlestone Bournside, Addlestone North and Chertsey South & Row Town	3 & 4 year olds
Spelthorne	Stanwell North, Ashford North and Stanwell South	2, 3 & 4 year olds
Spelthorne	Ashford East, Ashford Common and Ashford Town	2, 3 & 4 year olds

There are also 12 ward clusters that might not meet demand, these are as follows:

<b>Borough</b>	<b>Ward cluster</b>	<b>Places</b>
Elmbridge	Hersham Village, Walton Central, Walton North and Walton South	3 & 4 year olds
Elmbridge	Oatlands & Burwood Park, Weybridge Riverside, Weybridge St George's Hill	2, 3 & 4 year olds
Guildford	Burpham and Merrow	3 & 4 year olds
Mole Valley	Fetcham East and Fetcham West	3 & 4 year olds
Mole Valley	Mickleham, Westhumble and Pixham	3 & 4 year olds
Reigate & Banstead	Horley Centre, Horley East and Horley West	2, 3 & 4 year olds
Reigate & Banstead	Tattenham and Preston	2, 3 & 4 year olds
Spelthorne	Laleham & Shepperton Green, Shepperton Town, Halliford & Sunbury West, Sunbury East and Sunbury Common	2, 3 & 4 year olds
Surrey Heath	Watchetts, Town and St Michael's	2, 3 & 4 year olds
Tandridge	Warlingham West, Warlingham East and Chelsham & Farleigh	3 & 4 year olds
Woking	Byfleet, West Byfleet and Pyrford	3 & 4 year olds
Woking	Maybury & Sheerwater, Mount Hermon East, Mount Hermon West, Old Woking, Kingfield & Westfield, Mayford and Sutton Green	2, 3 & 4 year olds

*Childcare sufficiency assessment 2016*

#### **Local authority preparation:**

10. To prepare the service and the sector to offer 30 hours funded places key staff brought together with representatives from pre-schools, nursery chains and maintained nursery schools to form a steering group. An action plan was developed and is progress reviewed on a termly basis. Smaller task and finish groups worked on specific projects such as developing a toolkit for the sector to use and a communications strategy.

#### **Engaging with the sector**

11. It was vital to ensure that providers are aware of the additional funding offer and what it might mean to them and the families they work with. Forums and cluster meetings were organised for private, voluntary and independent sector (PVI) settings, out of school providers, home-based child carers and maintained schools. These generated discussions and questions for which a frequently asked questions page was set up on the 30 hours webpages. Regular e-bulletins, social media and twitter posts continue to provide regular information updates and keep the subject fresh in everyone's minds. A questionnaire is due to be sent out to providers to gauge the number of providers who will be offering 30 hour places and how many places they will offer. This data will be added to settings entry on the Childcare Finder webpage. Parents will then be able to search for 30 hour places in their area.
12. It has been acknowledged that for some providers it would not be possible to offer all of the 30 hours flexibly enough to meet some parents work patterns. This is likely to be due to rented premises not being available. Partnerships between providers is encouraged to enable the 30 hours to be accessed through more than one provider, but limited to no more than two to ensure continuity for children. Some partnership already exist with home-based childcare providers dropping off or collecting children from sessional pre-schools, nurseries and maintained schools. It will be important to engage before and after school clubs to offer partnership opportunities on school sites.
13. Support for providers has been made available by the Childcare Business Team to look at sustainable business models, marketing and mixed models for universal 15 hours places, FEET places and 30 hours places and mixed cohorts of children to ensure efficiency and sustainability of businesses. A template spreadsheet has been produced for providers to calculate their finances and see where they need to make changes. Before and after school clubs may need additional support to develop a sustainable offer as this would be a completely new business alternative for many.

### **Engaging with parents**

14. Communications with parents have been through the Parents Pages e-bulletins, social media and twitter posts. A parent survey was sent out to gauge possible take up rates and parents views on what their needs might be. Data from this is still to be reported on. The Department for Education (DfE) have also researched parents' views. Their finding showed that 83% of parents said they would take up the additional 15 hours. The top reason for this (29%) stated "The extra hours will cover the cost of childcare I already pay for". When asked about accessing the hours with more than one provider 45% of parents with two or more children under 5 years old would use all or

some of the additional hours even if it meant their children had to go to different providers. It is anticipated that for many parents in Surrey this will also be the case. We believe that many of the eligible families are already paying for additional hours and they will consider moving their children to settings that are offering free 30 hours places if they are not available at their current setting. *Parents' views and demand for 30 hours free childcare research report January 2017*

## Changes to the service

15. Following the Commissioning and Prevention Directorate restructure a dedicated Sufficiency Team has been created to sit within the Market Strategy team and will go live in April 2017. This team will take on the responsibility of seeing through the 30 hours work and developing childcare places in the ward clusters not meeting or likely to meet demand for places.

<b>Risks to consider:</b>
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16. There are a number of risk areas that if not given sufficient time and resource will undermine the progress made so far and jeopardise a successful launch in September 2017. These are:

1. Sustainability of universal FEET( free early education for twos) and FEE (free early education) places for 2 year olds and 3 and 4 year olds not eligible for 30 hours
2. Sustainability of provision, should they choose not to offer 30 hour places
3. Insufficient, sustainable 30 hour places to meet demand from eligible parents
4. 'Fit for purpose' systems in place to manage head count and payments
5. Sufficient specialist 30 hour places for eligible families of children with special educational needs and disabilities (SEND)

17. **Sustainability of places.** Funded places for 2 year olds are a vital support for vulnerable and disadvantaged children. It is important that these places are protected to allow these children to benefit from the opportunities that attending pre-school provision provides and to potentially achieve good levels of development at the end of the Foundation Stage. If a provider chooses to offer all of their places as 30 hours, FEET and universal FEE 15 hour places for 2, 3 and 4 year olds would be lost and exclude vulnerable children from the opportunities they provide.

18. **Sustainability of provision.** To remain sustainable providers need to adopt a mixed cohort model. This will prevent having too many children of the same age, which will eventually go to school at the same time creating dips in income due to vacant places, that impact on the provider's ability to remain sustainable. This also applies to types of places, FEET, universal 15 hours and 30 hours. Having a mix of these will secure the availability of places for all children.
19. Another concern for providers has been the National Funding Formula and the rate that will be set by Surrey for free early education places. Through the recent funding consultation providers fed back that the proposed rate is not a true reflection of the actual operational cost of providing a place. With the increased operational costs they are now facing through offering workplace pensions and the living wage for staff and increases in business rates for premises. They also stated that under the new guidance the opportunity to provide additional services, which parents pay for will be reduced. This is currently how many providers remain sustainable. The funding rate for Surrey is due to be announced shortly so concerns are being based on the minimum rate outlined in the consultation document.
20. Whether these are true or perceived risks for providers the market will become parent lead. If they do not offer 30 hour places parents will start to move their children to settings that do offer them. The families that will be eligible are likely to be the ones that will lobby councillors and members if they cannot access their places and have already begun to do so.
21. **Sustainable places to meet demand.** If providers become unsustainable due to not offering places to meet demand or because of their concern about the funding rate not covering their costs and leaving them with a shortfall, which they cannot cover could move the county council to a sufficiency deficit in more areas than those currently identified in the Childcare Sufficiency Audit 2016. Creating provision from within the sector is not always possible as they are often already at capacity, so new venues would need to be found. Every effort is made when sourcing buildings to use those owned by Surrey. However refurbishments to make them suitable for childcare provision often mean putting in additional toilet facilities and securing outside areas, which require capital funding. The capital funding currently available for creating early education places has been frozen, as part of the county non-essential spend freeze. Applications to fund capital projects required to create funded places for 2, 3 and 4 year olds in areas that do not meet the demand for places have become much more difficult. Greater scrutiny and justification of need has meant some projects have been significantly held up going through rigorous panels. This has put greater pressure on meeting demand now and

will only increase in September 2017 if the freeze is not lifted. Without capital funding future development will not be possible.

22. Some revenue funding has been promised for 2017/18 and 2018/19 to help with expanding and sustaining current provision, however the disappointment of not being awarded the additional 30 hour place Capital Funding from Government has meant those projects submitted for funding cannot be supported and the proposed additional places have now been lost.
23. **Fit for purpose systems.** The Free Early Education Portal is a system that has been developed with IMT and can be accessed by practitioners to enter headcount data for children accessing FEET and FEE places. This has improved the process for collecting headcount data as it is paper free and the payment of FEET and FEE funding to providers as it generates payment on specific dates. Providing the data is entered on time and correctly it has reduced payment irregularities and meant providers know exactly when their payment will be received. While the Portal is now live and being accessed by providers some issues have arisen and these are being rectified by IMT, however the system is still under development with Robots needed to allow data to travel between the Portal and One EMS. Delays in securing funding, changes in personnel leading on the project have continued to restrict the completion of the project and are jeopardising some of the developments. A portal that is 'fit for purpose' and fully operational is vital for September when the 30 hours funding goes live. Changes to the Free Entitlement Team could have a significant impact on the payment of funding. Without a fully functioning system there may not be sufficient staffing in place to process payments manually. Full support from senior leadership, resource and funding are needed to ensure the portal is fully operational from September 2017. Failure to invest in this system will lose the county council sector confidence.
24. **Sufficient specialist places for children with special educational needs and disabilities (SEND).** Having sufficient specialist places will be a major task. Not only will this be challenging to find suitable SEND places to meet the needs of children there will also be a need for increased funding through Disability Access Fund and SEN Inclusion Fund. The cost of providing a specialist SEND 30 hour place is much greater than that of a regular 30 hour place. This remains a risk for the county council as possible demand from parents still need to be explored. Discussions with SEND services within Surrey and other local authorities are ongoing and to explore how others are planning to provide places. A separate action plan is being developed to focus work in this area.

## Conclusion

1. This is a far reaching project which has required dedication from all of the staff involved. It will be important for the work to continue at the same pace to ensure we achieve a successful launch in September 2017. This will require the same level of priority from the new Sufficiency Team and their senior manager to ensure plans for the final term before launch are successful.
2. The DfE have requested a visit with senior leaders and elected members to discuss Surrey's progress in preparing for the launch of 30 hours. It will be important for them to be reassured that the current plans are progressing and that the county is fully committed and resources to achieve its goals.

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## Appendices

Annex A - 30 Project Planning

Annex B – Income and Expenditure 30 hours model

Annex C - +15 hours toolkit 2016 – 2017, Early Years and Childcare Service

## Sources/background papers:

30 hour free childcare entitlement: delivery model, Government consultation response November 2016 – [www.gov.uk/government/consultations](http://www.gov.uk/government/consultations) Reference: DFE-00272-2016

Childcare sufficiency assessment 2016, Early Years and Childcare Service

Parent' views and demands for 30 hours free childcare. Research report January 2017. Department for Education – [www.gov.uk/government/publications](http://www.gov.uk/government/publications) Reference: DFE-RR611

Sufficiency assessment, The Childcare Works Consortium – support for local authorities January 2017