



## **Schools Forum**

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Training and Development  
Centre

Paper

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Public

## **Provision of the Free Early Years Entitlement in Shropshire**

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### **Summary**

This paper aims to bring all Schools Forum members up to date with the current position in relation to early years provision in Shropshire - particularly in relation to the funding of the free early years entitlement - and sets out the changes which will be taking place in the future.

At the moment early years provision is strong across the county. Good outcomes are being achieved and sustainable models are in place to ensure that sufficient places are provided to meet demand.

The factors identified in this report have the potential to affect both the quality of provision and the sustainability of places and preparations will need to be made for the provision of the increased entitlement as soon as the full details and implications on the numbers of required places becomes clearer.

The Government is proposing a national review of the early years funding formula in order to ensure that it is 'fit for purpose' going into the future and local arrangements will need to take account of any required changes to the national formula. Schools Forum may want to consider the establishment of a Task & Finish Group to review the Shropshire funding formula once the likely national changes that are required to be implemented become clearer.

### **Recommendation**

This report is for information only, though Schools Forum may want to consider the establishment of an Early Years Funding Task & Finish Group

# REPORT

## Background

1. The local authority's revised responsibilities for the provision of early years and childcare places are set out in a paper published by the Department for Education (DfE) in September 2014. In summary these requirements are:
  - to secure sufficient childcare for working parents
  - to secure early years provision free of charge for all parents wanting to take up their entitlement
  - to provide information, advice and assistance to parents and prospective parents about the childcare provision in their local area, and
  - to provide information, support and guidance to any childcare provider failing to achieve an Ofsted outcome at inspection of at least good.
2. The current entitlement is as follows:
  - universal entitlement for all children to 570 hours of free childcare each academic year from the term after their third birthday until the point that they start school
  - the same entitlement is also available for two year olds whose families meet the free school meals eligibility criteria, for children with disabilities and for looked after children.
3. Places are commissioned from a range of early years settings including maintained nursery classes in primary and infant schools, private nurseries, playgroups, pre-schools and through childminders. Around 70% of all places in Shropshire are commissioned from the private and voluntary sector.
4. At the moment around 95% of three and four year old children access all, or some part of, their free entitlement. Take-up is consistent across the county and evidence shows that those families who are not accessing provision are doing so through choice rather than because of any lack of provision. There will also be a small number of children who will access provision out of county.
5. Current take up of the entitlement among two year olds is a little lower, at around 80% overall, but this is above national average and take-up has been steadily increasing over the past 12 months. Shropshire's success in this area has been recognised both regionally and nationally and performance is regularly monitored.
6. Providers are funded termly using a pupil-led formula based on the principles of the school funding formula. The formula seeks to reimburse providers at cost for the places they provide, i.e. to cover cost and not reflect any element of profit. Many providers will generate additional income by offering additional hours and/or additional care, for example for under 2s or for older children in out-of-school hours or holiday clubs.
7. The local authority receives its funding for the provision of these places as a separately specified, non-ringfenced element of the overall Dedicated Schools Grant. The total amount received each year is based on the numbers of children accessing provision at the time of the annual early years census in the

January preceding the start of the financial year (5/12ths) and the January within the financial year (7/12ths).

8. Current rates of reimbursement to providers for the provision of free places vary from £2.90 per hour per child to £3.17 per hour per child in the PVI sector depending on the circumstances of the provider. Our schools are paid £3.56 per hour per child for the provision they offer, recognising the requirement to have a qualified teacher leading provision in schools. Places for two year olds are paid at a rate of £4.96 per hour per child a national rate set by the DfE and acknowledging the higher adult:staff ratios required for two year olds compared to older children.
9. Information on the availability of childcare places within the county is provided to parents through the Shropshire Family Information Service (FIS). The FIS will also offer help and information to parents who may require additional support in order to access their place.
10. Ofsted are the sole arbiters of the quality of early years provision. The local authority is required to fund provision at all registered providers who achieve an Ofsted outcome of at least Requiring Improvement. It is not able to fund any provision judged by Ofsted to be Inadequate.
11. Information, support and guidance is made available to all childcare providers who secure an Ofsted outcome of Inadequate or Requiring Improvement. Much of this will be chargeable support and will therefore generate income. However, in a very small number of circumstances, support may be offered free of charge in relation to a specific issue or if, without the setting, the local authority would not be able to meet requirements for commissioned places in a certain area. Support is also available to those childcare providers with a Good or Outstanding judgement but this is entirely traded since it is now outside of the local authority's statutory duty.
12. The overall quality of provision across the county is good with a higher percentage of Good and Outstanding providers than our geographic and statistical neighbours.
13. Currently the local authority is able to commission sufficient places to fulfil its statutory duty.

### **Future Developments**

14. There are a number of factors which are beginning to impact on the local authority's ability to commission sufficient places or may do so in the near future. These include:
  - a) An increasing number of voluntary managed groups who are unable to recruit and retain sufficient committee members to allow them to continue to meet their legal duties.
15. Shropshire has seen the closure of a number of committee-run early years settings across the county over the past two years. In most cases local authority officers have managed to support the creation of alternative provision in order to ensure that the authority can continue to fulfil our statutory duty. In

many cases this new provision has been set up and run by the local primary school using its extend schools powers. This trend is continuing and officers are currently working closely with a number of other early years settings who are likely to be adopted by their local primary school over the next few months.

- b) The DfE determined that Ofsted would be the sole judge of the quality of early years provision, and the local authority would no longer be able to apply its own quality criteria. The authority is therefore dependant on the outcome of Ofsted inspections to determine whether it can continue to commission provision with individual providers.
16. In some communities there is only one childcare provider which is accessible to parents. This is often, but not solely, the case in rural areas. In the event of that provider being judged Inadequate by Ofsted the local authority is immediately required to withdraw its funding for the provision of free places at that provider. For some families this can leave them with no alternative provision to access. The local authority's response is to provide intense levels of support and challenge in order to ensure that the provider's outcome is improved when Ofsted re-inspect that provision in order to ensure that they achieve a judgement of Good. The authority also offers information and support to parents during this time to enable them, wherever possible, to access alternative provision. In all cases where support has been provided the setting has achieved an improved outcome when re-inspected. However, by its nature, it is impossible to predict where and when support will be required and how many families may be affected in the event of a setting failing an inspection.
- c) There is an on-going need to provide sustainability funding to a small number of rural settings who are unable to generate sufficient income from the pupil-led formula to cover their costs
17. There remains a small number of settings, both local authority maintained nursery classes and private and voluntary groups, for whom the authority provides ongoing sustainability support in order to continue to be able to commission sufficient places. Whilst both the number of settings being supported, and the amount of funding being provided, is reducing it is not envisaged there will be a point where all providers will be able to sustain provision based solely on their pupil-led funding. It is therefore necessary to allocate an element of the overall early years funding each year to support these settings which reduces the amount available to all settings through the pupil-led funding formula.
- d) Schools are no longer required to register separately with Ofsted for the provision of care and education to younger children. Schools are now able to provide childcare for children aged two and over without notifying Ofsted and without the need for separate Ofsted regulation and inspection.
18. This will make it much easier for schools to deliver early education and childcare places in the future, either from their own school site or from another location. A number of schools are already taking over the delivery of provision on their own sites from previous voluntary managed groups and it is expected that this trend will continue. Some schools, without existing childcare provision on site, are also now looking to establish their own early year's provision. This

may, in the long term, have an impact on other local provision as it will increase competition.

19. The government has recently introduced the Childcare Bill to the House of Lords. The Bill confirms the intention of the government to increase the free early years entitlement for working parents of three and four year old children to 30 hours each week from 2017.
20. The conditions for eligibility for the increased entitlement include:
  - working parents with children aged three and four
  - parents working part-time or full-time where each parent is working at least 8 hours each week
  - lone parents working at least 8 hours each week, and
  - parents who are self-employed
21. The government anticipate that around 600,000 families across the country will be eligible for the new increased entitlement although it is not clear how many of these families are in Shropshire.
22. There are two immediate financial issues which the increased entitlement will present:
  - An ongoing requirement to provide sustainability funding in certain areas of the county. These commitments may well be increased if and when the requirement to provide 30 hours is introduced i.e. support may be required from childcare providers currently open for 15 hours per week to open for longer hours in order to provide the required places for parents.
  - Commissioned providers are concerned about their ability to sustain existing provision given the current rates of revenue funding from the local authority. These concerns are likely to increase if the number of free hours which they are commissioned to deliver increases to 30 hours each week. Nearly all of Shropshire's commissioned providers charge a higher hourly rate to their fee-paying families than the rates they receive from the local authority for the provision of free places. This issue is recognised nationally and the government has pledged to review overall levels of revenue funding for the provision of early years places. Again details of the revenue funding allocations from central government to support this new initiative are awaited.