

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	CABINET	
Report of:	Strategic Director for People	
Date of Decision:	8th December 2015	
SUBJECT:	INCREASED EARLY EDUCATION ENTITLEMENT (EEE) RATES FOR PRIVATE, VOLUNTARY AND INDEPENDENT CHILDCARE PROVIDERS FROM SEPTEMBER 2015	
Key Decision: Yes	Relevant Forward Plan Ref:	
If not in the Forward Plan: (please "X" box)	Chief Executive approved	<input checked="" type="checkbox"/>
	O&S Chairman approved	<input checked="" type="checkbox"/>
Relevant Cabinet Member(s):	Councillor Brigid Jones, Cabinet Member, Children and Family Services	
Relevant O&S Chairman:	Councillor Susan Barnett, Education and Vulnerable Children Committee	
Wards affected:	All	

1. Purpose of report:
<p>1.1 To seek approval to increase the Early Education Entitlement (EEE) funding rate for eligible 2,3 and 4 year olds to Private, Voluntary and Independent(PVI) childcare providers.</p> <p>1.2 To seek approval to make payment to Private, Voluntary and Independent(PVI) childcare providers at the recommended increased Early Education Entitlement (EEE) funding rate for eligible 2,3 and 4 year olds backdated to September 2015. Costs will be funded from the Dedicated School Grant (DSG).</p> <p>1.3 This matter was not included in the Forward Plan because the need to increase the rates has been identified as a result of a report commissioned to KPMG which highlighted that the 2015/16 rate is not sufficient to cover current average costs within the private, voluntary and independent sector childcare provision. The need to ensure the immediate ongoing financial sustainability of the places delivered within these settings has led to the necessity to present this report to cabinet due to the level of expenditure required.</p>

2. Decision(s) recommended:
That the Cabinet :-
<p>2.1 Approve the increase in the Early Education Entitlement (EEE) funding rate for eligible 2, 3 and 4 year olds to Private, Voluntary and Independent (PVI) childcare providers.</p> <p>2.2 Approve payments to be made to Private, Voluntary and Independent (PVI) childcare providers at the recommended increased Early Education Entitlement (EEE) funding rate for eligible 2, 3 and 4 year olds from September 2015.</p>

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3. Consultation

3.1 Internal:

The service Director for Education, the Cabinet Member for Children and Family Services, Officers from City Finance, Legal and Democratic Services and representative head teachers and school governors have been consulted as part of the Schools Forum process. Schools Forum supported the proposed increase at the Schools Forum meeting on the 10th September 2015.

3.2 External:

Representatives from the PVI Support Organisation have been consulted as part of the process of bringing the report to Schools Forum. The PVI Support Organisation is a representative body of the private, voluntary and independent sector nursery providers.

The Education Funding Agency (EFA) has approved the proposed increase following support from Schools Forum.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

A fair City – integrated and inclusive services to children and young people and families is more likely to result in better outcomes and reduce the inequality gap between education and life chances.

A Prosperous City - built on an inclusive economy – where children and young people are able to access childcare their parents are more likely to work or study.

A Democratic City – where citizens engage in local services in their own communities increasing the opportunity for children, young people and families to participate in community activity which will improve social inclusion, promote positive attitudes towards disabled people and other people from different ethnic groups.

4.2 Financial Implications

(Will decisions be carried out within existing finance and Resources?)

The projected cost of the proposed rate increase in 2015/16 from September 2015 is £649,000 for 2 year olds and £949,000 for 3 and 4 year olds, a total of £1,598,000 and a projected full year at £2,493,000. Funding will be met from the DSG.

4.3 Legal Implications

Pursuant to Regulation 25 of the School and Early Years Finance (England) Regulations 2014, on application by the Council, the Education Funding Agency has authorised the Council to redetermine amounts to be allocated to the relevant early years providers.

Section 1 of the Childcare Act 2006 (Early Years Outcomes Duty) includes the requirement to improve the well-being of young children and reduce inequalities between children. Section 6 requires the Council to secure, as far as is reasonably practicable, sufficient high quality childcare to meet the requirements of parents in employment or training needing childcare.

Section 7 places a duty on the Council to secure free early years provision (15 hours a week) for three and four year olds. From September 2013 there was an additional statutory duty to provide disadvantaged two year olds with Early Education Entitlement places (previously known as Nursery Education Funding) that resulted in the need to provide up to 10,400 places for eligible 2 year olds.

4.4 Public Sector Equality Duty

An initial equalities screening has been undertaken. It demonstrates that a full equality assessment is not required as no adverse equalities impact on people in the protected categories has been identified. This change will ensure and protect continued access for children to their early education place as it will enable ongoing sustainability of places in the PVI sector.

5. Relevant background/chronology of key events:

- 5.1 Birmingham City Council commissioned KPMG to produce an independent report that set out the costs of providing early years education. The review was prompted by increasing concerns within the Private, Voluntary and Independent (PVI) sector that current and future cost pressures (particularly implementation of the Living Wage) would not be sustainable and as a consequence providers may not be able to provide the required provision for delivery of the 2,3 and 4 year old Early Years Entitlement. The report produced by KPMG in June 2015 for the Private sector determined:
- The average cost for PVI's to deliver 3 and 4 year old places is £3.86 compared to the current actual base funding rate paid by BCC of £3.59 (excluding the amount paid to eligible children for deprivation and free school meals) this is a shortfall of £0.27p.
 - The average cost for PVI's to deliver 2 year old places is £5.24 compared to the current actual base funding rate paid by BCC of £4.89 (excluding the amount paid to eligible children for deprivation and free school meals) this is a shortfall of £0.35p.
 - Based on the KPMG report, officers estimated the financial impact of increasing the funding rates paid to PVI's for 2,3 and 4 year olds in line with the current average cost levels determined by KPMG i.e.£3.86 for 3 to 4 year olds and £5.24 for 2 year olds. An estimate was also produced of the financial impact of further increasing the rates over a 3 year period for the impact of the Birmingham Living Wage.
- 5.2 A report was taken to Schools Forum on 10th September 2015 and while they supported the increase in rates to reflect average cost levels, officers were asked to undertake further work on the impact of the National Living Wage and Birmingham Living wage in terms of affordability from the DSG
- 5.3 Approval was given by the Education Funding Agency (EFA) on 1ST October 2015 to allow Birmingham City Council to increase EEE rates to PVI Early Years providers as proposed.

6. Evaluation of alternative option(s):

- 6.1 The findings from the KPMG report, coupled with ongoing feedback received from PVI providers suggested that if the EEE rate is not increased as recommended there is a very real risk that a significant number of the 550 Early Years providers in the city will withdraw their provision due to non-financial sustainability. If places are withdrawn the Council will be unable to meet its statutory duty to provide sufficient Early Years and Childcare places as currently 50% of all 3 year olds and 98% of the current 2 year olds taking up their early education entitlement, do so within the PVI sector.

7. Reasons for Decision(s):

- 7.1 To respond to the shortfall in funding of EEE places provided by the PVI sector as identified in the KPMG report.
- 7.2 To ensure ongoing sufficient delivery of EEE places to meet parental demand and stability of the Early Years and Childcare market.

Signatures	<u>Date</u>
Cabinet Member: Councillor Brigid Jones Cabinet Member for Children and Family Services
Chief Officer: Peter Hay Strategic Director for People

List of Background Documents used to compile this Report:
Childcare Act 2006. KPMG Phase 1 PVI Sector Report June 2015. Early Years PVI Rate Update – Schools Forum 10 th September 2015 Minutes from Birmingham School's Forum – 10 th September 2015 Education Funding Agency - School & Early Years Finance (England) Regulations

List of Appendices accompanying this Report (if any):

Report Version	0.5	Dated	25 November 2015
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