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Respond by 22nd August 2014
Ref: Department for Education

Early Years Pupil Premium and funding for two-year-olds

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This consultation seeks views on the introduction of an Early Years Pupil Premium for all disadvantaged three- and four-year-olds from April 2015, and on moving to participation funding for the early education entitlement for two-year-olds from 2015-16.

To Nurseries, Primary Schools, Children Centres, Maintained nursery schools, Independent nursery schools, Childminders, Private/voluntary providers of day care, Childcare or early years organisations, Parents and carers, local authorities and representative bodies.

Issued 25 June 2014

Enquiries To If your enquiry is related to the policy content of the consultation you can contact the Department on 0370 000 2288

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Contact Details

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the Ministerial and Public Communications Division by e-mail: consultation.unit@education.gsi.gov.uk or by telephone: 0370 000 2288 or via the Department's '[Contact Us](#)' page.

1. Ministerial Foreword

- 1.1 Securing better access to high quality early education is at the heart of this Government's social mobility strategy. We have extended the entitlement for Government-funded early education from 12.5 hours to 15 hours for all three- and four-year-olds. And we have created a new entitlement to funded early education for disadvantaged two-year-olds – reaching up to 40% of the least advantaged two-year-olds in September this year.
- 1.2 The Government has prioritised high quality early education because it can make a dramatic difference to children's life chances. High quality nursery can improve later results – generating a term and a half's progress for some children. In Maths, it is nearly two terms. Research has found that high quality pre-school education is especially beneficial for the most disadvantaged pupils and, for those with low qualified parents, in promoting better Mathematics outcomes at age 11.
- 1.3 There is more we can do. Disadvantaged children are already behind when they start school. The Sutton Trust argues that there is a 19 month gap at the start of school between the most and least advantaged children. Gaps between disadvantaged children and their peers are apparent in the early years, persist and widen throughout school and beyond.
- 1.4 Eradicating this inequality is fundamental to ensuring all children get the best start in life. This consultation covers two of the Government's strategies for making opportunity more equal.
- 1.5 We propose a new Early Years Pupil Premium, to build on the successful model of the school age Pupil Premium. It will ensure more money is spent on those three- and four-year-olds that will benefit most from additional investment.
- 1.6 The aim of the Early Years Pupil Premium is to close the gap between children from disadvantaged backgrounds and their peers by providing funding to early years providers to help them raise the quality of their provision. It will complement the Government-funded early education entitlement by providing nurseries, schools, and other providers with up to an additional £300 a year for each eligible child.
- 1.7 We also propose moving funding of the free entitlement for two-year-olds onto a stable, long-term footing, by introducing participation-based funding. This move will mirror the way that the three- and four-year-old entitlements are funded. To ensure that we use the most up-to-date data when determining

funding in the first year of participation-based funding, we propose two data collections in 2015-16. This will help to put the two-year-old entitlement on a stable, long-term basis.

Michael Gove MP

Secretary of State for Education

Nick Clegg MP

Deputy Prime Minister

2. Executive Summary

- 2.1 We know the value of a good start in life and that access to quality early years education is critical to this, particularly for disadvantaged children. The Government is committed to enabling more children to access high quality early education. Every three- and four-year-old is entitled to 15 hours per week of funded early education, for 38 weeks of the year (570 hours/year). Since September 2013 this entitlement has been extended to the 20 per cent least advantaged two-year-olds, and from September 2014 will be extended further to the 40 per cent least advantaged two-year-olds.
- 2.2 This document consults on the introduction of an Early Years Pupil Premium, to give additional resources to early years providers that take disadvantaged children aged three and four. It will improve the quality of the early education that these children receive. It also consults on the introduction of participation-based funding for the two-year-old entitlement.
- 2.3 The EYPP will be introduced in April 2015. It will close the gap at ages 3 and 4 between the additional support disadvantaged children get at age 2 through the new free entitlement and the additional support they get in school through the school-age Pupil Premium.
- 2.4 It will pay early years providers an additional £300 per year for each eligible child that takes up the full 570 hours with them. This equates to an hourly rate of 53p per child per hour. We estimate that over 170,000 children could benefit from the EYPP in 2015-16. The funding will follow the child and go to all providers that are delivering the funded early education entitlement.
- 2.5 The Government has allocated £50m in 2015-16 to fund this. Providers will be funded along with their existing early education funding. Local authorities will be required to pass on the full national rate to providers – they will not be able to hold any of it back, vary funding rates, or place conditions on the funding. Alongside this consultation we are publishing indicative local authority funding allocations for the EYPP, so that providers and local authorities can begin to plan for introduction next April.
- 2.6 The eligible groups for the EYPP will be children from low income families (defined as meeting the criteria for free school meals); children that have been looked after by the local authority for at least one day; have been adopted from care; have left care through special guardianship; and children subject to a child arrangement order setting out with whom the child is to live (formerly known as residence orders).

2.7 As with the school-age Pupil Premium, we believe providers are best placed to know how to support their disadvantaged pupils with the EYPP. We will not impose restrictions on how providers spend the Early Years Pupil Premium. Instead, Ofsted will hold providers to account for how they've used the EYPP to support their disadvantaged children through the regular inspection process.

2.8 The new entitlement to funded early learning for two-year-olds is an important part of the Government's social mobility strategy, with around 260,000 children becoming entitled to a place from this September. This consultation also includes information about the move to participation-based funding of the two-year-old entitlement from 2015-16. This will mirror the way that the three- and four-year-old entitlements are funded. This means that we will fund local authorities according to the actual numbers of eligible two-year-olds taking up a place. We recognise local authorities' concern that we use the most up-to-date data to determine funding and propose to use two data collections rather than one to help us to do this.

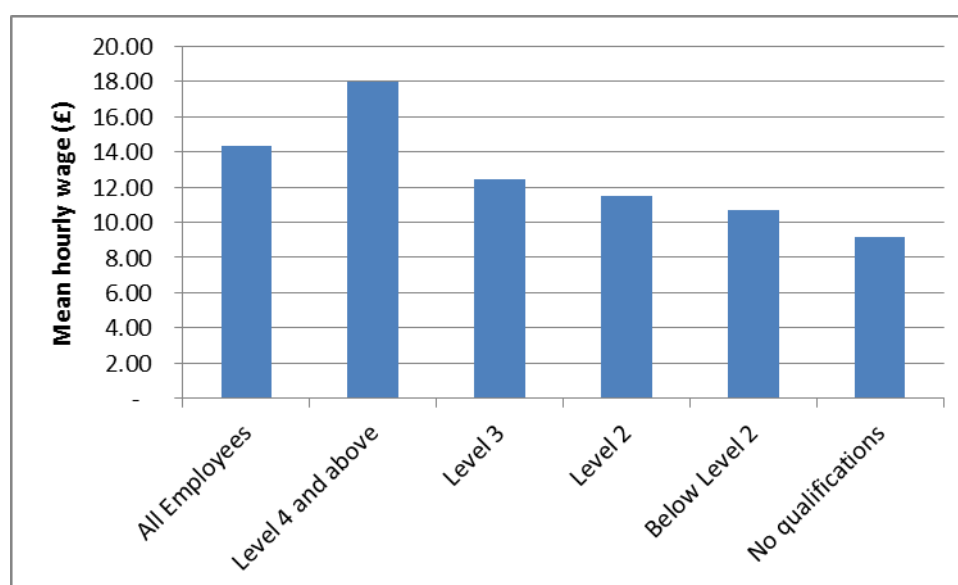
2.9 The Early Years Pupil Premium and the two-year-old entitlement both only apply in England.

3. Why provide additional support for disadvantaged children?

3.1 Children's educational outcomes are a major predictor of their future life chances. High quality early education makes a difference to children's academic attainment. High quality pre-school can improve Key Stage 2 English results – and is equivalent to about a term and a half's progress; in Maths, it is nearly two terms. The benefits of pre-school are higher for pupils from disadvantaged backgrounds.¹

3.2 And in turn how well children do at school is the strongest determinant of their future earnings as shown in Figure 1 below. Pupils who achieve 5 A*-C grades at GCSE earn around 10% more than those who do not and are more likely to be employed. This matters both for individuals and for the country. Analysis by the Sutton Trust has suggested that reducing the attainment gap between children from poorly educated and highly educated families to Finnish levels would add £56 billion to UK GDP by 2050.²

Figure 1: Mean hourly wage of full-time employees in England age 19-59/64 by level of highest qualification³



3.3 But there are already wide variations in ability between children from different backgrounds when they start school. As shown in Chart 2 disadvantaged children are already behind when they start school. The Sutton Trust have suggested that there is a 19 month gap in school readiness between the most

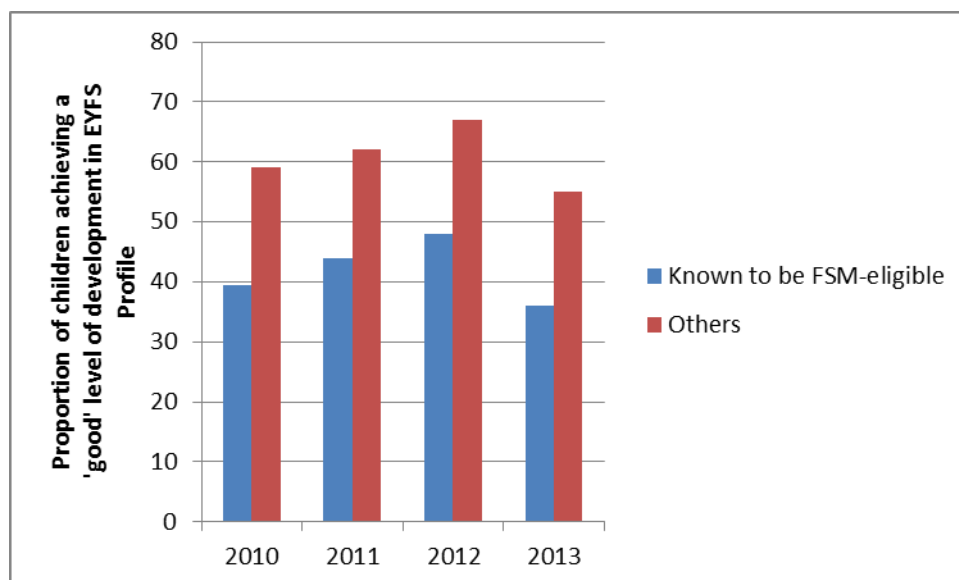
¹ Sylva, K et al (2008) Final Report from the Primary Phase: Pre-school, School and Family Influences on Children's Development during Key Stage 2 (Age 7-11) EPPE.

² The Sutton Trust, (2010), The Mobility Manifesto, available at www.suttontrust.com/public/documents/20100312_mobility_manifesto20102.pdf.

³ Labour Force Survey, Q4 2012.

and least advantaged children.⁴ Gaps between disadvantaged children and their peers are apparent in the early years, persist and widen throughout school and beyond.

Figure 2: Proportion of children achieving a 'good' level of development in EYFS Profile⁵



3.4 We also know that disadvantaged children can benefit the most from receiving a high quality early years education. Research has found that high quality pre-school is especially beneficial for the most disadvantaged pupils and for those of low qualified parents in promoting better Mathematics outcomes at age 11.⁶

3.5 Despite this, we know that disadvantaged families are less likely than the average to make use of the funded early education entitlement, and when they do it is less likely to be at a provider rated 'good' or 'outstanding' by Ofsted.

⁴ Sutton Trust and University of Oxford, *Sound Foundations: A Review of the Research Evidence on Quality of Early Childhood Education and Care for Children Under Three*. Accessible at <http://tempsuttontrust.files.wordpress.com/2014/01/sound-foundations-jan2014.pdf>.

⁵ Foundation stage profile attainment by pupil characteristics, DfE (November 2013). Available at www.gov.uk/government/publications/eyfsp-attainment-by-pupil-characteristics-2013.

⁶ Sylva, K et al (2008) Final Report from the Primary Phase: Pre-school, School and Family Influences on Children's Development during Key Stage 2 (Age 7-11) EPPE.

Figure 3: Take up of the early education entitlement for three- and four-year-olds, by family income.⁷

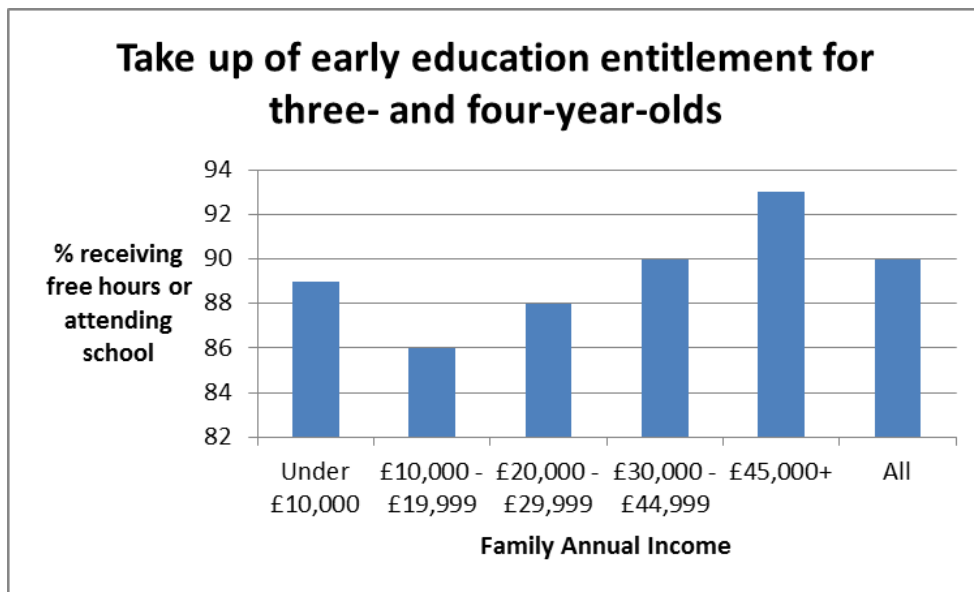
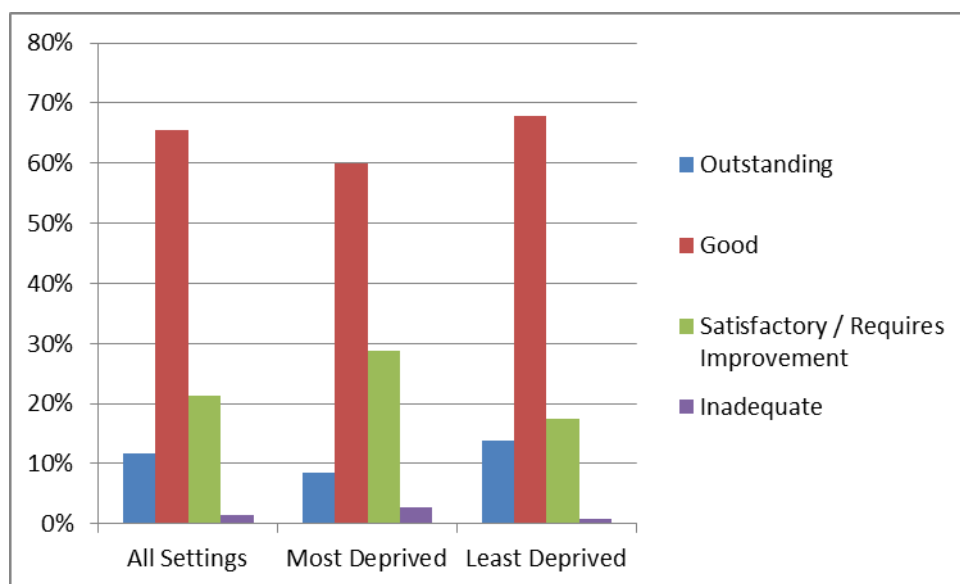


Figure 4: Ofsted rating of early years provider quality, comparison of most and least disadvantaged areas⁸



3.6 Tackling this is fundamental to ensure all children get the best start in life and go on to succeed at school. We are introducing an Early Years Pupil Premium to address this.

⁷ Childcare and early years survey of parents: 2012 to 2013, DfE (Jan 2014). Accessible at www.gov.uk/government/publications/childcare-and-early-years-survey-of-parents-2012-to-2013.

⁸ Ofsted data from August 2013. Accessible at <http://dataview.ofsted.gov.uk>.

3.7 The Early Years Pupil Premium will:

- give all early years providers the additional resources in order to provide the best possible early education to the most disadvantaged children;
- give guaranteed additional funding to all providers who take the most disadvantaged children; and
- together with the two-year-old entitlement, it will encourage more of the best providers to expand into disadvantaged areas.

3.8 The Early Years Pupil Premium fills the gap at ages three and four between the additional support disadvantaged children get at age two through the new free entitlement and the additional support they get in school through the school-age Pupil Premium.

4. The Early Years Pupil Premium eligibility requirements

4.1 For the Early Years Pupil Premium to be effective, it is essential that it goes to the right children. That means setting the right eligibility criteria, and it means having an accurate, simple system for checking eligibility.

Who will be eligible?

4.2 Eligibility for the EYPP is set out in the table below.⁹

A child will be eligible for the Early Years Pupil Premium IF...	
They are three- or four-years old and receiving 15 hours of Government funded early education in ANY provider, AND they are either:	
<p>In a low income family. Their parents are in receipt of one or more of the following benefits:</p> <ul style="list-style-type: none"> • Income Support • Income-based Jobseekers Allowance • Income-related Employment and Support Allowance • Support under Part VI of the Immigration and Asylum Act 1999 • the guaranteed element of State Pension Credit • Child Tax Credit (provided you're not also entitled to Working Tax Credit and have an annual gross income of no more than £16,190) • Working Tax Credit run-on – paid for 4 weeks after you stop qualifying for Working Tax Credit 	<p>have been:</p> <ul style="list-style-type: none"> • looked after by the local authority for at least one day • have been adopted from care • have left care through special guardianship; and • children subject to a child arrangement order

4.3 The majority of the current welfare benefits which give entitlement to the Early Years Pupil Premium will be replaced by Universal Credit (UC). We are

⁹ From 22 April 2014, residence orders and contact orders are replaced by Child Arrangements Orders (s8 Children Act 1989). Child arrangements orders are orders making arrangements about the person with whom a child lives or has contact. Only Child Arrangement Orders relating to a child's living arrangements immediately after they leave local authority care (looked after children) are relevant for the purpose of the EYPP.

currently working with the Department for Work and Pensions to develop suitable eligibility criteria for the Early Years Pupil Premium under UC.

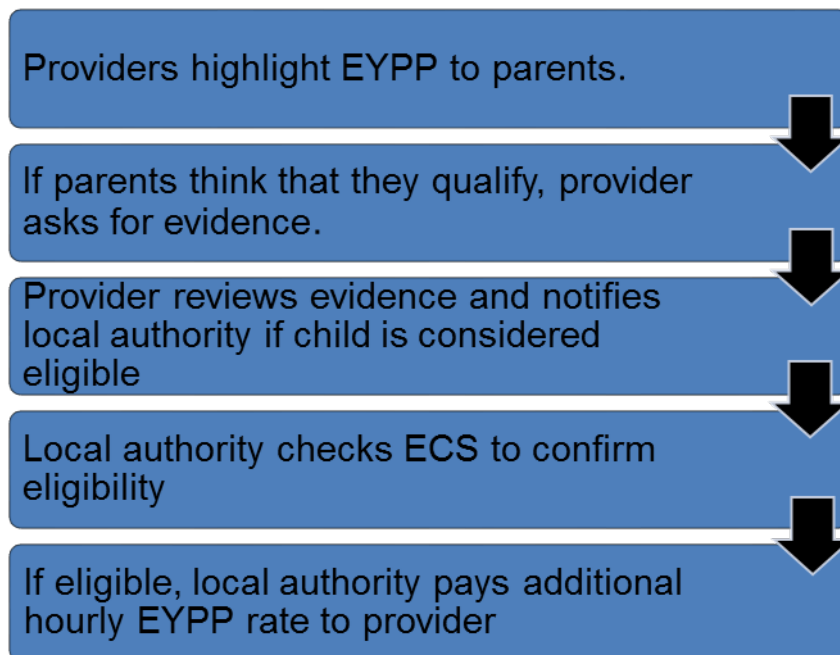
- 4.4 These groups are the same as those that receive the school-age Pupil Premium. As set out in the previous chapter, there are strong reasons for prioritising the EYPP for children from low income families – the evidence shows that they are the most behind when they start school, and also that they benefit most from quality early years provision. Children who are in the care system have also lower attainment in formal education compared to their peers and also can benefit from additional support. There are other groups of children that we considered for inclusion – however, these either already receive additional funding from other Government sources, and/or are likely to be already eligible for the EYPP through the criteria above.
- 4.5 The two-year-old early education entitlement is already targeted at the most disadvantaged children. We do not feel that it would make sense to overlay a further premium on top of the two-year-old entitlement itself.
- 4.6 Four-year-olds in Reception classes in maintained schools already receive the school-age Pupil Premium. They will not receive the EYPP in addition to this.
- 4.7 As 2015-16 will be the first year of the EYPP, we will not introduce an “Ever-FSM” measure at this stage.
- 4.8 We are extending the school-age Pupil Premium into the Early Years – we do not have plans to extend the Service Premium into the Early Years.
- 4.9 Each local area is different, and local authorities may identify other groups of children within their community that they believe should be eligible for the EYPP. They will be free to use their own resources to fund an EYPP for other groups of children, so long as they meet the requirement to provide it to the core eligible groups set out here.

Checking Eligibility

- 4.10 We want a simple, accurate and secure means of checking whether children are eligible to receive the Early Years Pupil Premium that does not create additional burdens for providers or parents.
- 4.11 There is an existing Eligibility Checking Service that already provides a means to do this. It is already used by councils and schools to check children’s eligibility for the funded early education entitlement for two-year-olds, and for free school meals for school age children.

- 4.12 We may need additional primary legislation to enable us to use the data in the Eligibility Checking Service for the Early Years Pupil Premium. If it is necessary then we will legislate at the earliest opportunity.
- 4.13 Checking eligibility will be very straightforward. Providers typically already collect paperwork from parents claiming the funded entitlement – for instance proof of child’s age. To check eligibility for the EYPP, they will simply need to ask parents to identify whether they believe that they are eligible, and to give the provider their National Insurance Number and the parent’s date of birth. It will also be entirely voluntary for parents to give this information.
- 4.14 We expect that in most cases providers will encourage eligible parents to take up the EYPP. We will publish a short toolkit for providers in the Autumn giving advice on what they need to do to be ready for the EYPP, including how to encourage parents to identify as eligible and how to collect the required information. We hope that some parents will be encouraged to ask providers how the EYPP is being used for their child; and that providers will actively involve parents when preparing their plans.

Checking children’s eligibility for the Early Years Pupil Premium



- 4.15 Providers already submit information about children taking up the funded early education entitlement to their local authority. To claim the EYPP, they will in addition have to submit National Insurance Numbers and parents’ date of birth. For asylum seeking children, local authorities will need the parents’ National Asylum Support Service number (NASS), the parents’ date of birth and surname. Using this information, the local authority can use the

Eligibility Checking Service to confirm whether the child is eligible for the Early Years Pupil Premium, and if eligible, local authorities will pay the additional rate to the provider. Since September 2013, local authority teams have used the Eligibility Checking Service to check eligibility for the two-year-old entitlement. We do not expect there to be a substantial additional burden from EYPP checks.

- 4.16 Local authorities will know which children are in their care and therefore eligible for the premium. We expect local authorities looked after children and early years departments to work closely to identify children who may be eligible.
- 4.17 For children who have been adopted from care and those who are subject of a special guardianship order or a child's arrangements order (setting out with whom the child is to live and formerly known as 'residence orders'), parents/guardians will need to provide evidence of the relevant order made by the courts.
- 4.18 If legislation is necessary, and it is not possible to have it in place by April 2015, then we will put transitional arrangements in place until we can use the Eligibility Checking Service. We propose that parents of eligible children will need to provide evidence of benefits they receive to providers. Local authorities use that information to check eligibility. We do not believe that this short additional check would be onerous for either parents or providers. It will be for local authorities and providers to decide how best to implement this in their area. We hope that all eligible parents will want to identify themselves, but it will be entirely voluntary.
- 4.19 To help local authorities and providers plan ahead and organise their resources, we will confirm whether transitional arrangements will be necessary by January 2015.

5. The Early Years Pupil Premium – How Will it Work?

- 5.1 To have the biggest impact, arrangements for the Early Years Pupil Premium must be clear, simple and consistent. We want all providers to be certain of the additional money that they will receive, so that they can plan for how they will use it. Like the school-age Pupil Premium, we have designed a system in which money follows the child, so that providers are guaranteed a nationally-set amount of money for each disadvantaged child.

5.2 For 2015-16, providers will get an extra £300 premium per eligible child taking up the full 570 hours entitlement per year, in addition to the rate that local authorities are already paying for the three- and four-year-old entitlement. This will be paid to providers on an hourly basis – in 2015-16 there will be a national rate of £0.53 per child per hour. The Government has committed £50m in 2015-16 to fund this. Alongside this consultation we are publishing indicative local authority funding allocation to enable providers and local authorities to plan – these can be found at Annex C.

Allocation to Local Authorities

5.3 The Early Years Pupil Premium will be paid to all local authorities through the Dedicated Schools Grant. The Department does not have child level data on the number of eligible children in each LA. Instead, for 2015-16, the Department will make initial allocations to local authorities based on an estimate of the number of disadvantaged three- and four-year-olds in each area who meet the eligibility for the premium.¹⁰

5.4 Indicative local authority allocations have been published alongside this consultation (see annex C), to enable local authorities and providers to begin to plan ahead of implementation in April 2015. We will publish updated allocations in Autumn 2014.

5.5 Take up rates may vary across the country, and some local authorities may have more or fewer eligible children than anticipated. For that reason, in 2015-16 we will collect information about take up numbers from local authorities mid-year. In October 2015 we will ask all local authorities to provide data on how many children are receiving the Early Years pupil Premium. We will use this to adjust allocations to reflect actual numbers. This will make sure that all local authorities have the money they need to pay providers the EYPP.

5.6 It will not be necessary to make estimated allocations with an in-year adjustment in future years. We intend to collect data about whether a child receives the Early Years Pupil Premium in the Early Years and Schools censuses from January 2016. This will give us accurate take-up data, which we will use to make funding allocations from 2016 onwards. When this data is available we will move to funding the EYPP according to actual local take up levels, like the school-age pupil premium. The diagram in Annex A shows simply how this will work.

¹⁰ This uses data on the projected number of children in each LA who will participate in early education and FSM take up rates for 4 -6 year olds as a proxy for eligible children. This proxy measure was used to allocate two year old early learning funding to LAs in 2013-14. It aims to allocate funding to LAs based on the actual EYPP costs they will incur in 2015-16.

Local authority allocation to providers

- 5.7 We want all eligible three- and four-year-olds to benefit from the EYPP. All registered early years providers that take children for the funded early education entitlement – including school nurseries and maintained nursery schools; private, voluntary and independent providers; and childminders – will therefore be eligible to claim the EYPP for their disadvantaged three- and four-year-olds. As set out in the Department’s recent consultation, ‘Childminder agencies and changes to local authority role’, local authorities are required to fund any provider rated ‘outstanding’ or ‘good’ for the three- and four-year-old entitlement, as long as the provider is willing to accept the conditions of funding and that a parent wishes to send their child there. Local authorities are also required to fund providers rated ‘requires improvement,’ and have additional powers to attach conditions to funding these providers requiring them to address Ofsted’s recommendations. All of these providers will also all be eligible to claim the EYPP for their eligible children.
- 5.8 To improve outcomes for disadvantaged children they need to be receiving quality early education. Local authorities should remove any funding for the entitlement – including the EYPP – from a provider rated ‘inadequate’ as soon as is practicable.
- 5.9 Funding will follow individual children, meaning that providers can be certain that if they take an eligible child they will receive the additional resources that they need to support them. Local authorities will pass all of this funding on to front-line providers as clearly identified additional funding to the hourly rate providers already receive. We will amend the School and Early Years Finance Regulations to require that LAs **must** fund at the national rate for all eligible children, with no flexibility to reduce the amount. LAs will not, for example, be permitted to fund at a lower rate for certain provider types.
- 5.10 The EYPP will be paid as an hourly rate, in addition to the rate for the funded entitlement. This will make it simple to match the amount providers receive to the number of hours that eligible children take up. Where a child takes up the entitlement at more than one provider, the providers will receive the EYPP proportionate to the number of hours. If an eligible child moves to a different provider during the year the new provider will receive the EYPP for the funded entitlement hours that they provide.
- 5.11 Where a childminder is registered with a childminder agency the local authority should pay the EYPP alongside other funding for the early education entitlement. This means that if the childminder has opted to receive funding via the agency then they will receive the EYPP by the same means.

How providers may use the EYPP

- 5.12 We believe that providers will use this funding most effectively where they have the flexibility to innovate and to spend it on the strategies that they think will be most effective. This is the approach which has proven effective with the school-age Pupil Premium. If anything, it is even truer in the early years given the very wide diversity of providers.
- 5.13 We will not, therefore, impose conditions on providers about how the EYPP is spent. We will, however, be clear that they must use it to improve the quality of early years education for their disadvantaged children. We expect that providers will consult the evidence on what works in improving quality when making decisions about how to use their EYPP funding. Providers will be held to account for the quality of the early education that they provide to disadvantaged children through Ofsted inspection.
- 5.14 We encourage providers to use their EYPP funding to contribute to pay for reconfiguring their nursery to be teacher led and employing a teacher. Evidence tells us that teacher-led early education leads to the best outcomes, and we know that in deprived areas, only 10% of staff in private nurseries are teachers with support.¹¹ The Nuffield Trust recently reported that Ofsted data shows that the most highly graded providers employ a graduate *and* have a high proportion of staff qualified to level 3. The report also found that graduate leadership was associated with a smaller gap in quality between PVI providers in disadvantaged and more affluent areas.¹² Evidence shows that input from specialist graduates has the greatest impact on children's outcomes.¹³

There is evidence that one of the best things a provider can do to improve child outcomes is employ a specialist graduate member of staff. The evaluation of the Graduate Leader Fund found that providers with a graduate leader with Early Years Professional Status (EYPS) significantly improved the quality of provision and child outcomes for pre-school children. Gains were seen in overall quality and in a number of individual dimensions of practice, including positive staff: child interactions and language and literacy. For maximum impact, the graduate should be working directly with children. The more time Early Years Professionals spent in rooms with children, the greater the impact that had on quality of provision in that room.

¹¹ Department for Education, *Childcare and Early Years Provider Survey 2011* accessible at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/219589/osr18-2012v2.pdf

¹² Nuffield Foundation *Early Years Educators Quality and Inequality: Do three- and four-year-olds in deprived areas experience lower quality early years provision?* Accessible at <http://www.nuffieldfoundation.org/news/disadvantaged-three-and-four-year-olds-losing-out-good-quality-nursery-provision>

¹³ EPPE Project: Findings from the pre-school period accessible at [http://www.ioe.ac.uk/RB_summary_findings_from_pre-school\(1\).pdf](http://www.ioe.ac.uk/RB_summary_findings_from_pre-school(1).pdf)

- 5.15 A greater proportion of school based provision is teacher-led (41% of school-based provision in deprived areas). We know that some of the best quality early education can be found in schools. We are keen to see schools as an integral part of quality improvement in the early years, particularly through the Teaching Schools programme. Teaching Schools alliances offering early years training and improvement will be well placed to provide professional development for providers and to develop and share good practice that results in improved outcomes for disadvantaged children, including the impact of teacher-led provision.
- 5.16 We encourage providers to use their EYPP funding to purchase services from teaching schools alliances, whose excellence is already proven by their Ofsted rating. There are 100 teaching schools with registered nursery provision on site and over 1,000 more schools with nursery provision on site that are linked to teaching school alliances. In addition, 20 regional hubs are bringing together all types of early years providers and enabling them to benefit from shared knowledge and expertise to drive up quality in their area. As the network of Teaching Schools and alliances offering early years support continues to expand, even more providers will have the opportunity to both provide and benefit from locally delivered support.¹⁴
- 5.17 Some providers may wish to pool their EYPP funding together in order to get more for their money. For example a group of small providers may use their funding to contribute to the cost of a shared Early Years Teacher to work across a number of providers, potentially as part of a teaching school alliance. We believe that childminder agencies will be particularly effective at enabling pooled funding for their registered childminders – and encourage them to consider how their registered childminders could pool their EYPP funding to purchase additional support for all of them. Similarly, schools may wish to consider pooling their EYPP and Pupil Premium together, if this will improve support and outcomes for disadvantaged pupils across the school. Ofsted inspection will focus on how providers are supporting disadvantaged children to make progress and achieve better outcomes.
- 5.18 As with other funding, local authorities will be responsible for ensuring that funding is passed to providers in respect of early education for individual eligible three- and four-year-olds, and that this money is not claimed fraudulently.

¹⁴ Schools that are interested in becoming Teaching Schools can find more information online here: www.gov.uk/teaching-schools-a-guide-for-potential-applicants.

5.19 Local authorities are currently required to have a deprivation supplement as part of the early years single funding formula. We do not propose to change this requirement. It gives local authorities the flexibility to continue to address deprivation in a way which is appropriate to their area – for example, an urban LA may take a different approach to a rural one.

6. The Early Years Pupil Premium and Maximising Impact

6.1 For the EYPP to have the biggest possible impact, and put children on the path to success in later life, it is not enough to provide additional funding. It is also essential that schools and other providers have access to high quality information about how best to support their disadvantaged three- and four-year-olds. It is vital that providers are held to account for getting the best possible outcomes for disadvantaged children – and that data is available to hold Government to account for this as well.

6.2 We want to mirror the approach which has proven effective with the school-age Pupil Premium – but recognising that the diversity of early years providers means that it is important to consider whether our approach is proportionate and appropriate. We will do this by:

- Holding providers to account through Ofsted;
- Measuring outcomes; and
- Supporting providers in making effective use of the money through directing them to good practice in supporting disadvantaged children.

Holding Providers to Account

6.3 Ofsted are the arbiter of quality in the early years. During an inspection providers are already required to show how they are meeting the needs of individual children, including those who are disadvantaged. The Early Years Pupil Premium will build on this approach.

6.4 During an inspection of an early years provider, Ofsted Inspectors will consider how well disadvantaged children make progress. Their inspection report will include a statement on the strategies that the provider has used to raise the attainment of disadvantaged children, and how the EYPP is used to support these strategies. To make this happen, Ofsted will update their inspection frameworks to set out that effective use and impact of the EYPP will be assessed under the leadership and management judgement.

6.5 To make this judgement, Ofsted will want to see evidence that a provider has considered how best to invest EYPP funding, how they expect to determine if the money improves a child's outcomes over the short and/or long term and any evidence available on impact already achieved. They will update the provider self-evaluation framework to include questions on the approach that providers are taking to using the EYPP – in particular, how they are making use of the money, which children they are targeting the money on, and how children's outcomes are improving under the EYFS – and will ask questions on these areas during inspection. Ofsted already consider how staff knowledge, qualifications, training and expertise (such as Early Years

Teacher Status, for example) impacts on a provider's practice and children's learning and development.

6.6 If providers are not able to supply this evidence then their inspection judgement for the leadership and management judgement may be lowered, and inspectors will make recommendations for how the provider can improve. Providers judged 'requires improvement' overall should prepare an action plan to address Ofsted's recommendations. Their local authority – as champion of disadvantaged children – should hold them to account for implementing this, potentially making it a condition of early education funding. We will set out in statutory guidance on early education that local authorities should do this. Local authorities should withdraw early education funding from providers judged 'inadequate' overall as soon as is practical.

6.7 Local authorities have an established role in their communities as champions of disadvantaged and vulnerable children. We know that they will welcome the additional resources that the EYPP will bring for these children, and they have an important part to play in maximising its impact. They are uniquely placed to encourage parents to claim the EYPP for their child. They have statutory responsibilities to secure information, advice and guidance for providers rated 'requires improvement.'

6.8 It is important that our approach to accountability is proportionate. Early years provision includes a large number of small, single providers – Laing and Buisson estimate that 77.3% of registered early years places (including those provided by childminders) are in single site providers.¹⁵ We do not believe that it would be appropriate to expect all early years providers to publish details online of how they are using the Early Years Pupil Premium, as schools do for the school-age Pupil Premium. Many of the smaller early years providers do not currently have websites, and it would be unreasonable to set them up solely for this purpose. Where providers already have a website – and, in the case of schools, where they already publish details of how they use the school-age Pupil Premium – we encourage them to do the same for the EYPP.

Measuring Outcomes

6.9 The EYPP will be additional money for the Early Years. It is important that we are able to measure the impact that all Government funding is having. We will therefore identify and publish national-level data on the quality of the early education that disadvantaged three- and four-year-olds are receiving. The annual early years census collects information on, for example, the number of providers with a member of staff with a graduate qualification in early years.

¹⁵ Children's Nurseries UK Market Report, Laing and Buisson 2013.

From 2016 the census will collect information on numbers of children receiving the EYPP at each provider.

- 6.10 We will also track child outcomes nationally to understand if Government funding to support disadvantaged children, including EYPP, is improving the attainment of this group of children and narrowing the gap between them and their peers. From 2015-16 we will look at data from the new reception baseline at age four to get an indication at a national level of the impact of Government's early years funding for disadvantaged children. This data will enable us to see over time if disadvantaged children are becoming as well placed as their peers to succeed in their education. The baseline is not designed to hold individual providers to account, and will not be used for this.
- 6.11 Over the longer term, our ambition is to improve the data that we collect so that we are able to measure and track the progress of children through their educational career. There is currently no simple way to do this. We will, therefore, explore this further – including looking at the feasibility of introducing Unique Pupil Numbers before a child begins school. If it can be easily implemented, Unique Pupil Numbers could track children from their early years providers into the rest of their school career.
- 6.12 We will collect data on whether a child receives the Early Years Pupil Premium on the Early Years and Schools censuses. This data will allow us to track, for the first time, take up of the funded entitlement among disadvantaged three- and four-year-olds, including whether they are at high quality providers, and whether they are at providers with a graduate-qualified member of staff. We will publish this data, and add it to the Department's Early Years benchmarking tool.

Supporting Providers

- 6.13 We expect that providers will use the EYPP to provide additional support to their disadvantaged children. This support could take a number of different forms – one provider may, for example, choose to employ a graduate-qualified staff member; school may opt to make early education available more flexibly from 8-6, so that it can be accessed more easily by disadvantaged parents; a third may pool their funding with other providers to purchase some group training. We expect that – and actively encourage – providers will want to make use of high quality support from outstanding schools and nurseries in their local areas in the first instance.

6.14 To help us to build good practice, we will look at how providers have spent their EYPP in 2015-16 and gather examples of good practice where providers can demonstrate immediate/short term impact of the funding. We will make this information available to providers through our website.

7. Existing funding for disadvantaged 2 Years Olds – move to participation funding in 2015-16

Early learning for two year olds

7.1 Chapter 1 makes the case for ensuring disadvantaged children access high-quality early education. As a key plank of this, the Government has introduced a new statutory entitlement to early learning for disadvantaged two-year-olds. From September 2013, 20% of two-year-olds in England (some 130,000 children) have been entitled to a government funded early learning place. These two-year-olds are eligible if their family meets the income and benefits criteria also used for free school meals, or if they are looked after by their local authority.

7.2 From September 2014, the statutory entitlement will be extended to around 40 per cent of two-year-olds (some 260,000 children). This includes children from low income working families, or who have SEN or disabilities, or who have been adopted from care.

Funding LAs for two year old early learning

7.3 This new entitlement has been supported by very significant investment from Government. The allocation of this funding to LAs has so far been according to the **estimated number** of eligible children in each LA as we did not hold data on the number of participating children in each LA.

7.4 DfE in 2014-15 also provided trajectory funding to support preparation for the delivery of the entitlement, for example helping to develop local systems and processes, supporting growth in the local supply of high quality early education places, and marketing the entitlement. Our expectation is that this activity will have been embedded by the end of 2014-15 and therefore trajectory funding will not be available to LAs from 2015-16.

The move to participation funding in 2015-16

7.5 From the financial year 2015-16, the DfE will be able to move away from funding on estimates of the number of children who are eligible for a free place. Instead, DfE will fund LAs for two year olds according to the **actual number** of two-year-old places they are funding locally. In practice this means that the annual allocation to local authorities will be calculated using a standard hourly rate (set by DfE) multiplied by the actual number of free hours they are funding for eligible children. This is called participation funding. Participation funding is already used to allocate funding for all three and four year olds. (See Annex A for an explanation of how participation funding works.)

7.6 This is not a new development. When the Department made the 2013-14 allocations in November 2012, it announced in the Written Ministerial Statement the intention to move to participation funding from 2015-16 once the 40% statutory entitlement was in place.¹⁶ This was confirmed in December 2013 when the Department made the 2014-15 LA allocations and the Minister for Education and Childcare wrote to all Directors of Children's Services.¹⁷

7.7 Under participation funding, allocations are based on the January census every year – using the school census for schools and the early years census for private, voluntary and independent providers.¹⁸ This is a fair way to fund LAs. It enables the Department to allocate funding according to local take up, and provides an incentive for LAs to grow and sustain a high level of take up. It also enables funding to be targeted where it is needed, and does not allocate funding to LAs where take up is lower than the number of eligible children. This is described in more detail in Annex B.

Proposals for the first year of participation funding

7.8 It is important that LAs can plan. We do not have the data to give LAs indicative allocations before the start of 2015-16. We will however confirm to LAs the per child funding rates in September 2014. In order to secure the success of two-year-old early learning, the DfE needs to ensure funding accurately reflects the number of hours of early education LAs are funding throughout the year, and does so in a way which encourages take up.

7.9 This is a challenge when the entitlement is still relatively new. The full entitlement commences in September 2014 but the programme is expected to take time to reach maximum take up. It is unlikely that take up levels for the programme will have stabilised by the time the January 2015 count is taken. This means that the January 2015 census may not be an accurate picture of the number of places LAs will have to fund in 2015-16, potentially underfunding some LAs. This must be avoided.

7.10 To address this, we are proposing to undertake two data collections for the first year of participation funding. The first will be the standard data collection via the school and early years January census. The second will take

¹⁶

<http://webarchive.nationalarchives.gov.uk/20130903192841/http://media.education.gov.uk/assets/files/pdf/w/written%20ministerial%20statement%20on%202yo%20funding.pdf>

¹⁷ www.gov.uk/government/uploads/system/uploads/attachment_data/file/266738/Letter_to_DCSs_-_2014-15_2_YO_allocation.pdf

¹⁸ Link to the early years census guide is included to provide further information about how participation funding currently operates for three and four year olds: www.gov.uk/early-years-census

place in October and will enable us to ensure funding accurately reflects increases in participation levels over the course of the first year. This will allow the DfE to make one in year adjustment to reflect major increases in participation rates. **This second data collection is for 2015-16 only** when the programme is scaling up.

7.11 In order to minimise burden on LAs, we plan to:

- make the data collection **voluntary** so that LAs who do not see a significant increase in take up do not need to submit additional data confirming this;
- make use of the data LAs already collect in order to fund providers on a termly basis for delivering two-year-old places; and
- rationalise the data collection to collect only the essential information necessary to calculate funding. We do not propose to repeat the full January census return.

7.12 Our proposal is to fund LAs for two-year-olds in 2015-16 by:

- Confirming rates in September 2014.
- Making funding allocations in June 2015 using the January 2015 census count.
- Using the second count in October 2015 to adjust in December 2015 allocations for those LAs wishing to submit updated data if their take up levels have substantially increased.

7.13 The diagram in Annex A illustrates how this will work.

7.14 We would welcome views on using the October (autumn term) count as a suitable time to take the second count to accurately reflect take up levels.

Local authority allocation to providers

7.15 No changes will be made to how LAs must fund providers through the early years single funding formula. We continue to encourage LAs to maximise the funding passed to providers, and to fund providers using a flat rate with no supplements.

8. How To Respond

8.1 Send electronically to: eypp.consultation@education.gsi.gov.uk

8.2 Send by post to:

Early Years Funding Division

Sanctuary Buildings

Great Smith Street

London

SW1P 3BT

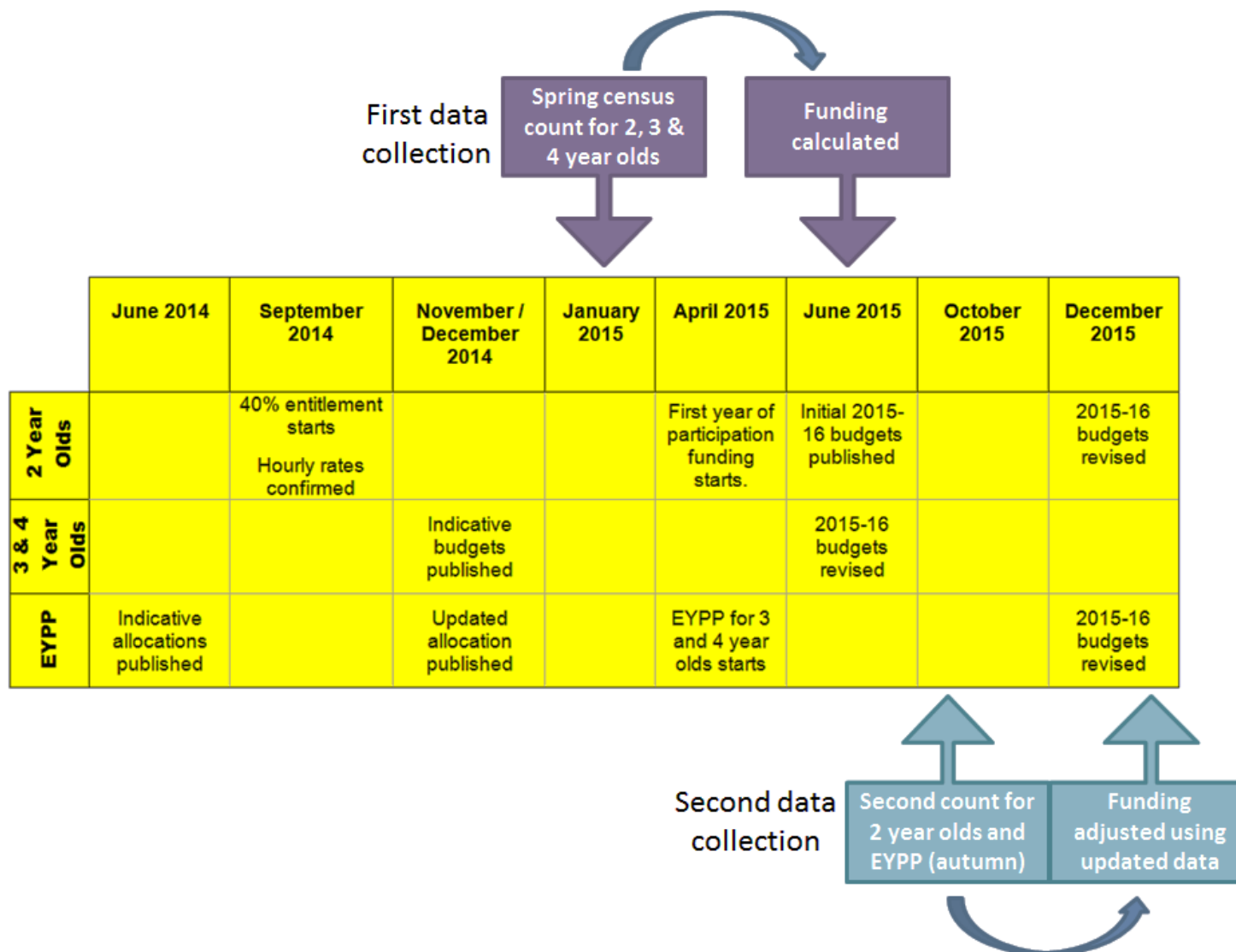
9. Additional Copies

9.1 Additional copies are available electronically and can be downloaded from the Department for Education e-consultation website at: www.education.gov.uk/consultations.

10. Plans for making results public

10.1 The results of the consultation and the Department's response will be published on the DfE e-consultation website in Autumn 2014.

Annex A - Funding allocation for two-year-olds and EYPP for three- and four-year-olds



Annex B – How participation funding operates

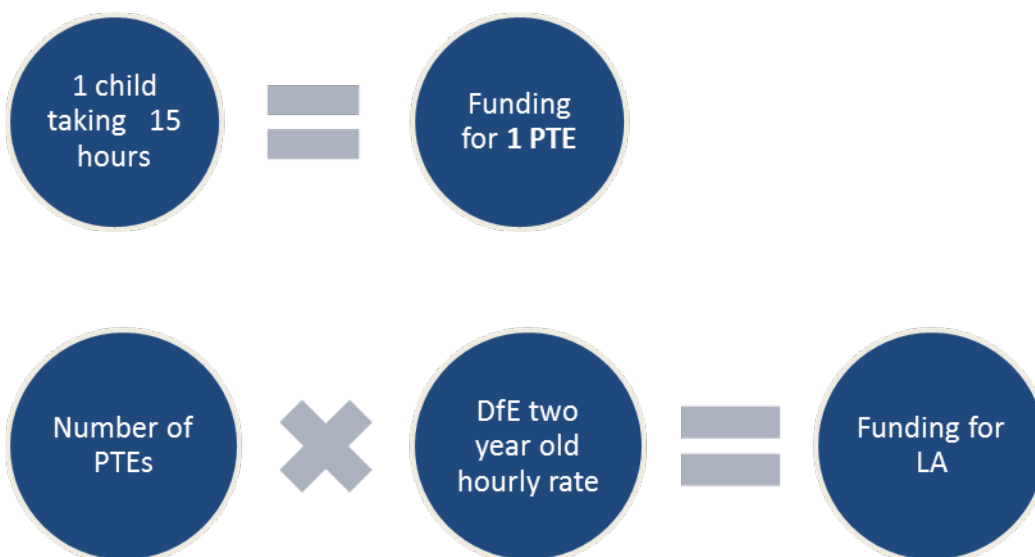
- The statutory entitlement for two year old early learning is 15 hours a week. For funding purposes, the early years entitlement is expressed as part time equivalent (PTE - 570 hours a year).
- Participation funding is based on actual take up of the statutory funded hours and not headcount numbers (as not all children take up all the funded hours to which they are entitled).
- January census data is used to count the levels of participation, counting both the number of children (headcount) and the hours taken.
- The illustrations below show how funding is allocated on the basis of participation.

For example:

Figure 1 – Funding based on participation basis



Equivalently,



Local Authority	Estimate number of eligible children	Estimate number of eligible children (PTE)	Indicative EYPP allocations
Barking and Dagenham	1,185	1,130	£341,466
Barnet	1,186	1,131	£341,597
Barnsley	1,015	968	£292,388
Bath and North East Somerse	379	361	£109,157
Bedford	451	430	£129,901
Bexley	743	708	£213,986
Birmingham	7,181	6,847	£2,068,440
Blackburn with Darwen	643	613	£185,203
Blackpool	643	613	£185,237
Bolton	1,138	1,085	£327,785
Bournemouth	434	414	£125,077
Bracknell Forest	221	210	£63,567
Bradford	2,626	2,504	£756,558
Brent	1,334	1,272	£384,123
Brighton and Hove	707	674	£203,725
Bristol, City of	1,902	1,813	£547,775
Bromley	836	797	£240,829
Buckinghamshire	768	733	£221,329
Bury	641	611	£184,687
Calderdale	853	813	£245,696
Cambridgeshire	1,229	1,172	£353,939
Camden	1,037	989	£298,746
Central Bedfordshire	594	566	£171,076
Cheshire East	731	697	£210,444
Cheshire West and Chester	808	771	£232,863
City of London	32	30	£9,202
Cornwall	1,190	1,135	£342,734
Coventry	1,338	1,276	£385,417
Croydon	1,716	1,636	£494,343
Cumbria	995	948	£286,531
Darlington	379	361	£109,093
Derby	1,042	994	£300,198
Derbyshire	1,995	1,902	£574,635
Devon	1,475	1,406	£424,820
Doncaster	1,205	1,149	£347,226
Dorset	642	613	£185,037
Dudley	1,072	1,022	£308,675
Durham	1,920	1,831	£553,151
Ealing	1,331	1,269	£383,382
East Riding of Yorkshire	575	548	£165,555
East Sussex	1,208	1,152	£347,913
Enfield	1,452	1,384	£418,182
Essex	3,318	3,164	£955,837
Gateshead	712	679	£205,020
Gloucestershire	1,263	1,205	£363,916
Greenwich	1,301	1,240	£374,738
Hackney	1,839	1,753	£529,631
Halton	664	634	£191,409
Hammersmith and Fulham	929	886	£267,707
Hampshire	2,349	2,240	£676,579
Haringey	1,102	1,051	£317,486
Harrow	628	599	£180,969
Hartlepool	458	437	£132,033
Havering	676	644	£194,696
Herefordshire	307	293	£88,512
Hertfordshire	2,439	2,326	£702,546
Hillingdon	1,017	969	£292,848
Hounslow	959	915	£276,324
Isle of Wight	372	355	£107,242
Islington	1,446	1,378	£416,434
Kensington and Chelsea	666	635	£191,915
Kent	3,940	3,757	£1,134,861
Kingston upon Hull, City of	1,493	1,424	£430,167
Kingston upon Thames	350	334	£100,776
Kirklees	1,656	1,579	£476,962
Knowsley	909	867	£261,900
Lambeth	1,680	1,602	£483,977
Lancashire	3,328	3,173	£958,623
Leeds	3,104	2,960	£894,254
Leicester	1,712	1,632	£493,151
Leicestershire	1,054	1,005	£303,624
Lewisham	1,357	1,294	£390,872
Lincolnshire	1,637	1,561	£471,656
Liverpool	2,493	2,377	£718,090
Luton	879	839	£253,338
Manchester	3,084	2,941	£888,374

Medway	905	863	£260,674
Merton	691	659	£199,170
Middlesbrough	998	952	£287,573
Milton Keynes	730	697	£210,418
Newcastle upon Tyne	1,394	1,329	£401,626
Newham	2,081	1,984	£599,320
Norfolk	2,216	2,113	£638,418
North East Lincolnshire	577	550	£166,095
North Lincolnshire	466	445	£134,290
North Somerset	438	418	£126,199
North Tyneside	556	530	£160,106
North Yorkshire	891	850	£256,703
Northamptonshire	1,944	1,854	£559,965
Northumberland	761	726	£219,276
Nottingham	1,824	1,739	£525,331
Nottinghamshire	2,117	2,019	£609,887
Oldham	1,078	1,028	£310,558
Oxfordshire	1,401	1,336	£403,658
Peterborough	900	858	£259,301
Plymouth	974	928	£280,492
Poole	295	281	£84,954
Portsmouth	755	720	£217,583
Reading	579	552	£166,659
Redbridge	1,130	1,078	£325,578
Redcar and Cleveland	581	554	£167,365
Richmond upon Thames	364	347	£104,845
Rochdale	896	855	£258,147
Rotherham	915	873	£263,646
Rutland	39	38	£11,368
Salford	1,357	1,294	£390,954
Sandwell	1,609	1,534	£463,378
Sefton	767	732	£221,064
Sheffield	1,956	1,865	£563,330
Shropshire	476	454	£137,120
Slough	520	496	£149,839
Solihull	598	570	£172,236
Somerset	1,041	992	£299,783
South Gloucestershire	483	460	£139,098
South Tyneside	573	547	£165,180
Southampton	926	883	£266,710
Southend-on-Sea	581	554	£167,253
Southwark	1,229	1,172	£354,088
St. Helens	670	639	£193,003
Staffordshire	1,763	1,681	£507,929
Stockport	778	742	£224,232
Stockton-on-Tees	853	813	£245,693
Stoke-on-Trent	1,273	1,213	£366,595
Suffolk	1,810	1,725	£521,268
Sunderland	1,155	1,101	£332,588
Surrey	1,860	1,774	£535,845
Sutton	535	510	£154,078
Swindon	571	545	£164,619
Tameside	921	878	£265,298
Telford and Wrekin	629	599	£181,052
Thurrock	537	512	£154,735
Torbay	400	382	£115,339
Tower Hamlets	1,997	1,904	£575,242
Trafford	589	562	£169,682
Wakefield	1,154	1,100	£332,360
Walsall	1,325	1,263	£381,579
Waltham Forest	1,142	1,089	£328,914
Wandsworth	1,411	1,345	£406,369
Warrington	487	465	£140,416
Warwickshire	1,046	997	£301,217
West Berkshire	259	247	£74,591
West Sussex	1,391	1,327	£400,783
Westminster	1,096	1,045	£315,651
Wigan	950	905	£273,525
Wiltshire	816	778	£234,966
Windsor and Maidenhead	250	238	£71,956
Wirral	1,239	1,182	£357,023
Wokingham	196	187	£56,485
Wolverhampton	1,263	1,204	£363,859
Worcestershire	1,333	1,271	£383,962
York	359	342	£103,330

PTE is part time equivalent, ie one child taking 570 hours a year. We fund LAs according to the number of hours they fund not the number of participating children. We have converted PTE to a total estimate of eligible children to support the consultation.