

Report to: Schools Forum

Subject: 2 Year Old Funding

Date of meeting: 13th February 2013

Report by: Julian Wooster – Director for Children’s Services

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1. Purpose of report

- 1.1. This report outlines the proposed arrangements for the use of the new funding stream for 2 year olds, contained within the Dedicated Schools Grant, to support the 2 year old programme.

2. Recommendations

- 2.1. It is recommended that the Schools Forum note the new funding streams and agree proposed arrangements including:
- continued place funding at £4.85 per hour, for a maximum of 15 hours a week for 38 weeks
 - the proposed use of trajectory funding as set out in paragraph 5.2.

3. Background

Current Arrangements

- 3.1. As at January 2013 Portsmouth provides 240 free early education places for the most economically deprived 2 year olds. This meets the Department for Education target of 240 places by 31 March 2013.
- 3.2. Current funding for 2 year old provision is £524,900, which forms part of the core Early Support Service budget, funded by the local authority’s allocation of the ‘early intervention grant’.

3.3. The eligibility criteria which provide access to free 2 year old places are:

(1) All families **MUST** be in receipt of one or more of the following nationally prescribed criteria:

- Income support (IS)
- Income based job seekers allowance (IBJSA)
- An income related employment and support allowance
- Child Tax Credit provided you are not entitled to Working Tax Credit and have an annual income (as assessed by Her Majesty's Revenue and Customs) that does not exceed £16,190
- Support under part VI of the Immigration and Asylum Act 1999
- The Guarantee element of State Pension Credit
- A Looked After Child referred via the placement panel

(2) Additional local criteria which in Portsmouth includes family, parental and child characteristics (such as substance misuse, mental health issues and significant domestic violence)

Arrangements from April 2013

3.4. From 1 April 2013, 2 year old funding will form part of the Dedicated Schools Grant (DSG). Portsmouth has been allocated the following for 2013-14:

Places	Trajectory
£1,783,665	£700,219

3.5. The places funding of £1,783,665 is intended to fund the DfE target of 617 places by March 2014, whilst the trajectory funding of £700,219 is to support market growth and infrastructure.

3.6. The funding provides for 15 hours per placement (currently 10 hours) thereby extending provision and bringing forward a statutory duty to secure 570 hours of free early education for eligible two year olds from September 2013. New legislation - *The Local Authority (Duty to Secure Early Years Provision Free of Charge) Regulations 2012* - is now in place and replaces previous legislation. The DfE has confirmed that eligibility criteria from September 2013 will include:

- Children in families eligible for free school meals
- Children who are looked after

and is intended to provide places for 20% of 2 year-olds.

The DfE is also consulting on eligibility criteria for the second phase of delivery, from September 2014, intended to extend provision by a further 20%.

3.7. The local authority is expected to manage change through market levers such as:

- Information to parents about quality provision
- Funding for places to incentivise and sustain quality
- Funding for stimulating growth (e.g. small refurbishments and new start up funding)
- Training and support for providers

4. Places funding

4.1. For 2013-14 it is proposed to continue to fund each place at £4.85 per hour for a maximum of 15 hours a week for 38 weeks. This figure remains broadly in-line with other local authority rates across the region. The Government has indicated an intention to make data available to the public which will outline the local authority funding allocation and the percentage which has been made available to providers for the delivery of places.

4.2. In order to achieve the 257% growth in places for 2013-14 it is recommended that the base rate remain the same.

£4.85ph x 15hrs x 38 weeks x 617 pupils	£1,705,696
	£1,705,696

4.3. It is crucial that the target numbers are achieved in 2013-14 because these numbers will form the baseline for future funding calculations. If the local authority fails to achieve these numbers, subsequent funding allocations may be reduced.

4.4. In order to achieve these targets, the council will need to support and challenge delivery and infrastructure. It is therefore proposed that £79,000 is used to ensure the programme delivers sufficient places of the highest quality. This will pay for the resources to target settings both with regard to capacity and quality improvement.

5. Trajectory funding

5.1. One-off trajectory funding has been allocated to local authorities to enable them to meet the target for growth in numbers in their area. The DfE has not outlined detailed expectations for spend but have made clear that local authorities must ensure it is used to meet the target growth in numbers required for 2014-15.

5.2. Case studies from the 2012-13 programmes (Southampton, Merton & Sutton, Doncaster and Hertfordshire) together with analysis of local data and needs have been used to identify challenges and inform our plans.. Challenges include the lack of appropriate accommodation in many areas, the readiness and confidence of the workforce to support the growth of places for these two year olds and the resources

the authority has to deliver the growth targets by 2014. In the light of this, the proposals for trajectory funding usage are:

- a) **Workforce development:** The implementation of training for 3 groups of practitioners; those new to 2 year old childminding, those extending their capacity and those continuing to deliver existing capacity. In the case of the latter group, the Continuing Professional Development includes Special Educational Needs work to meet the mandatory criteria which become effective from 1st April 2013..

New to childminding programme	£10,000
Existing providers programme	£10,000
CPD programme	£10,000
	£30,000

- b) **Market development:** a 3 fold approach is proposed including a grants scheme to support capacity building through incentivising growth, a parent's awareness raising programme and the capital investment in accommodation to meet growing demands. Investment in capital will allow the increase in capacity of existing provision, thus developing a more sustainable market longer-term (as opposed to creating new provision)

Grants programme	£80,000
Parents awareness raising programme	£40,000
Capital programme*	£550,000
	£670,000

* *Under the DSG regulations, the funding can not be used to fund capital expenditure by the Local Authority, but is available to make grants to PVI's enabling them to increase capacity.*

6. Early Education Funding Formula Review

- 6.1. The new regulations require the local authority to consult on changes to the funding formula for free early education entitlement. The National Audit Office report 'Delivering the free entitlement to education for three and four year olds' (February 2012) highlighted the complexity of some local formulae. Local authorities are, therefore, strongly encouraged to fund providers on the basis of a flat hourly rate for two year old places with no additional supplements. The 2 year old funding is a single base rate of £4.85 only.
- 6.2. It is proposed that a full consultation and review takes place from April 2013 with implementation in April 2014 and that the current rate remains until then.

- 6.3. Allocations for 2014-15 have not been announced; however the Department is considering the most suitable formula for allocating increased funding to local authorities to extend the entitlement provision from 20% to 40% of 2 year olds. It is the government's strong intention to reward local authorities who achieve high levels of take-up by moving to participation funding.

7. Capital Funding

- 7.1. In November local authorities received an additional capital resource allocation, £459k for Portsmouth. Whilst not ring fenced specifically, it was indicated that this might support the expansion of local authority premises where additional capacity for 2 year old places is identified as an issue. Any such allocation of capital resource will need to be fully justified to and approved by the City Council.

8. Conclusion

- 8.1 The current 2 year old funding rate of £4.85 per hour is affordable for the extended provision and will continue until a full review is completed at which point a new rate may be introduced. The £79,000 central funding will be used to help ensure sufficient places of the appropriate quality are available. An increased number of places will be generated to meet the new target of 617, increased from the current 240, by September 2013.