

Schools Forum

7th May 2013

Early Years and Disadvantaged Two Year Olds

Introduction

1. Within the Schools Budget 2013/14 paper to the last Schools Forum on 5th February were details and proposals relating to Early Years funding, particularly arrangements for disadvantaged two years olds. It was agreed that these be considered further by a group consisting of Jane Wright and the Primary School Headteacher representatives on the Forum. Following those discussions, the details and proposals are represented for the Schools Forums further consideration.
2. The DfE has also issued a "Consultation on the proposed changes to the role of the Local Authority in early education and childcare" on 25 March with a response date of 6th May. A brief outline is provided together with more information on the funding reform aspects of the proposals.

Early Years Spend

3. Three and Four Year Olds:-
 - a. Indicative Early Years budgets are estimated to be £0.906m for PVI settings, £5.811m for schools and £0.415m retained by the Council to provide central services and a £50k contingency for growth in early years numbers.
 - b. In the current year there is a pressure of approx £130k due increased numbers in the PVI sector. At present, it is proposed to not build in this pressure as the 2013/14 DSG Early Years Block Grant is to be adjusted by DfE for January 2013 and then again for January 2014 participation numbers.
4. Disadvantaged Two Year Olds
 - a. As previously reported to members, 15 hours early years education will become a statutory entitlement for eligible two year olds from 1 September 2013, with the local authority having a duty to secure provision for an estimated 571 children in Stockton-on-Tees. This equates to around 20% of two year olds who meet the following criteria: 1) Looked after children; 2) Children who meet the Free School Meal criteria.

- b. The programme will be extended from September 2014 to include 40% of two year olds, with a current estimate of between an additional 571 – 700 places within Stockton-on-Tees. The Government recently consulted on proposed eligibility criteria for this extended entitlement. This Includes children with special educational needs or a disability; and also those who have been in care and been adopted.
- c. The revenue allocations within DSG for 2013/14 are made up of two elements. The first is place based funding of £1.578m. This is an amount for statutory places which must be funded once the entitlement for 20% of two year olds comes into force from September 2013. The second is trajectory building of £0.620m. This is an amount to be used, in the main, to create non statutory places in preparation for the 2014 entitlement for 40% of two year olds.
- d. Local authorities are being strongly encouraged to fund providers based on the following:
 - i. flat hourly rate for two year old places with no additional supplements.
 - ii. To offer a formula that has sufficient flexibility to provide additional support for two year olds with additional educational needs and Special Educational Needs.
 - iii. To fund places in settings that are rated good or outstanding by Ofsted, or satisfactory where the local authority has an agreed improvement action plan in place particularly where sufficiency of places is an issue.
- e. One key role of the Local authority is raising awareness of the programme with parents and it is the government's strong intention to reward local authorities who achieve high levels of take-up by moving to participation funding. This is not possible in 2013, but they intend to do so as quickly as possible, from 2015.
- f. A Project Board has been established to develop and implement the programme, led by the Planning & Partnership Manager who gives regular updates to the DfE on progress against Government targets.
- g. Nursery classes within schools – many schools with Stockton-on-Tees take children as soon as they reach their 3rd birthday. Providing the school meets the criteria and wishes to take part, eligible children could be funded through this programme until they move on to the 3 & 4 year old free nursery entitlement. Work is underway to look at the implications of this on an individual school basis and the current estimated additional

funding to primary schools is estimated to be around £238k pa based on previous years participation.

- h. The roll out of the programme will be as follows:-
 - i. April to July 2013 – the existing 74 places funded through the pilot will continue.
 - ii. From September 2013 places will be allocated against the 571 target.
- i. This will result in some one off savings in the non-trajectory funding which can be used for DSG overspend in other areas. Implementing the 2 year old free nursery entitlement will create pressure on the current capacity within the Families Information Service (FIS) who are responsible for managing the administrative processes associated with the programme. The systems required will build on those currently in place for the free nursery entitlement for 3 & 4 year olds. It is proposed that funding of £26k is made available from the allocation to increase capacity to ensure robust systems are in place for the future.
- j. Strategic planning and development of the programme will be absorbed within existing roles and will remain the responsibility of the Planning & Partnership Manager who sits within the Education, Early Years & Complex Needs division of CESC.
- k. The hourly rate:-
 - i. It is proposed that the hourly rate is not reduced to accommodate additional children over the 571 target as it is not expected that this number will be exceeded.
 - ii. It is anticipated that the hourly rate will stand at approximately £4.77 per hour. This reflects a slight reduction in the £4.85 paid to the Local Authority as part of the Statutory Place Allocation. The reduction will be used to support the increase in capacity required within the FIS team.
 - iii. However, this rate will only be guaranteed for the financial year 2013 /14. The Local Authority is waiting for additional guidance on the criteria for 2014-15 in addition to the funding levels that will be made available to support the September 2014 target.
- l. Trajectory funding:-
 - i. Trajectory funding of £0.62m has been made available to increase capacity within the market to meet the targets for September 2014. A significant amount of work will be

required to increase the available places, in the right area and to meet the set criteria. This is going to be particularly true where SEN children are concerned.

- ii. In order to achieve this it is proposed that the Local Authority commission a partner organisation to support them in the work necessary to increase the number of places available. This will involve developing existing provision alongside supporting the creation of new places where gaps have been clearly identified.
- iii. Trajectory funding will also be used to fund a number of pilot programmes from April prior to the statutory date of September 2013. These programmes will be in a range of settings, where places are funded 'up front' in order to trial and develop new initiatives.

DfE Consultation on Proposed Changes to the role of the LA in Early Education and Childcare

5. In its recent consultation the Government is proposing to make the following changes, either by introducing legislation at the earliest opportunity, or through statutory guidance to:-
 - a. guarantee an offer of funding for all providers of a quality assessed by Ofsted, or an inspection body approved by the Secretary of State, as 'satisfactory', 'good' or 'outstanding' where there is an eligible child wanting to take up an early education place;
 - b. guarantee an offer of funding for new early education providers, which have been registered with Ofsted, prior to their first full Ofsted inspection;
 - c. limit the extra conditions that local authorities can place on private, voluntary and independent (PVI) early education providers in order for them to qualify for funding to deliver places;
 - d. remove the existing duty on local authorities to secure information, advice and training for childcare providers, but give local authorities power to offer it;
 - e. reform the early education funding system, by encouraging local authorities to simplify their funding formulae and to limit the amount of centrally retained spend.
6. The current position for authorities funding early education places is through the DSG. The consultation document emphasises that the introduction of the early years single funding formula (EYSFF) for funding three and four-year-old provision in April 2011 is regarded as bringing greater transparency and efficiency in the use of resources.

Current elements of authority funding for early education providers include:

- a. the requirement to fund providers using a base rate (hourly per child funding rate). More than one base rate can be used, including PVI, nursery classes in primary schools and maintained nursery schools. Some authorities have additional rates for childminders.
 - b. additional funding through a system of supplements that include deprivation, quality, flexibility and sustainability.
 - c. the use of the various school funding formula factors where relevant. Authorities can also sub-divide supplements into bands and can also allocate lump sums to providers
 - d. most of the DSG funding being passed directly to providers but authorities retaining some funding centrally for other purposes. The situation at authority level is variable with 113 authorities in 2012-13 retaining less than 10%, with 22 retaining nothing and nine retaining over 20% of their early years budget.
7. In March 2012, the Government committed itself to the introduction of a national funding formula for schools and early years in the next spending period, which it saw as addressing the weaknesses of the current system for funding places for three and four-year olds. The funding allocations for two-year-olds were announced in November 2012 using a formula bringing *'unprecedented levels of transparency and simplicity for local authorities and providers in terms of average hourly funding rates'*. A similar approach is sought to underpin a national funding formula for all early education to end the funding variation that exists where, as the National Audit Office 2012 report noted, most authorities have EYSFF and many are clear and simple but some are seen as unnecessarily complex.
8. For providers of two-year-old early education, it is therefore proposed, that authorities should fund them through a single flat rate within each local authority. This means setting the same base rate for all providers with no supplements as the offer itself is focused on deprived children. This would become a requirement for local authorities from 2014-15. For three and four year-olds, views are being sought on the following proposals to:
- a. restrict authorities to a small number of base rates with a suggested limit of three;
 - b. restrict banding within base rates and supplements, with a proposed limit of two;
 - c. lump sums more clearly focused on meeting unavoidable costs.
9. On early years centrally retained funding, it is intended that the regulations will be recast to clarify what authorities can and cannot use their early years DSG funding to achieve. It is proposed that the regulations will clarify that authorities can continue to use the central spend on improving access and support for disadvantage and Special

Educational Needs but not for quality assessment and provider training. Views are also being sought on a proposed 10% limit on the proportion of the early years DSG that can be centrally retained and on the impact that this would have compared to a 15% or 20% limit.

10. In Stockton-on-Tees we currently have a single base rate across all sectors without banding. This was developed in consultation with schools, PVI settings and the Schools Forum and has been in place since the EYSFF was first developed. We also currently have supplements for deprivation, quality and flexibility. We would support the intention to retain deprivation, would consider removing flexibility as this has not been as effective as anticipated in encouraging maintained providers to change their offer. However, we offer both a lump sum and a supplementary hourly rate for those settings that are graduate or teacher led. The lump sum in particular supports the increased costs of employing and retaining staff with higher level qualifications. Therefore we would support a proposal to retain both deprivation and quality supplements. A minimum funding guarantee or transitional arrangements would, ideally be put in place for those settings/ LA's that are significantly affected by the change. In Stockton the central spend accounts for approx 6% of the early years total spend

Recommendations

11. In respect of Disadvantaged two year olds to support the following:-

- a. The suggested hourly rate of £4.77 for 2013-14.
- b. The proposal to 'top slice' the Statutory Place Allocation to support the necessary increase in capacity within FIS at a cost of £26k.
- c. The decision to commission a partner organisation to support the Local Authority in increasing capacity within the early years & childcare market to meet the demand for eligible 2 year old places.
- d. The proposal to fund a number of pilot programmes from the Trajectory funding.

12. Note the DfE proposals in the most recent Early Education and Childcare consultation.

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