

## **Schools Forum**

**6<sup>th</sup> December 2012**

### **Introduction of disadvantaged 2 year old funding into the Dedicated Schools Grant and the implementation of a formula to allocate funding to providers**

This report relates to both maintained and academy schools

#### **Recommendation**

The Schools Forum is recommended to:

- 1) Note the move of funding for free entitlement of nursery provision for 2 year olds from Council resources to the Dedicated Schools Grant from 2013-14
- 2) Note the extension of the programme for free entitlement of nursery provision for 2 year olds and the statutory nature of this entitlement from September 2013 and the further extension of the scheme in September 2014
- 3) Note the project management approach being taken to implement these changes
- 4) Agree to 3 Schools Forum members to be part of the Project Team to contribute to the detailed analysis work

#### **1.0 Introduction**

1.1 Currently 2 year old nursery provision is funded from Council resources on a non-statutory basis. However, in a move to align this provision with that of 3 and 4 year olds, funded from within the Dedicated Schools Grant (DSG), the Department for Education (DfE) has announced that from 2013-14, funding will be transferred to the DSG and that the Local Authority is required to establish a funding formula to allocate this funding to nursery providers.

1.2 This reports details the current position within Warwickshire, the changes in the regulations and the work required to comply.

#### **2.0 Background**

2.1 For the three years until 2011/12, Warwickshire County Council allocated £300,000 resources to fund a pilot scheme to offer a free nursery entitlement of 10 hours per week in the Nuneaton and Bedworth area to deprived 2 year olds.

However, it became apparent that there would be a national move to increase such provision and that, as a way of introducing a stepped change, the Council agreed to increase its funding levels to £1.2m in 2012/13. This has allowed the county to fund an increased offer of 15 hours entitlement and to a greater number of areas of the county.

2.2 Currently, these children are identified as being eligible by both health and county council staff and providers are funded at a rate of £4.85 per hour, the rate suggested by the DfE in 2009/10 when 2 year old pilot was first introduced.

2.3 Currently, the Local Authority funds around 880 places for such children

### **3.0 The new regulations**

3.1 In April 2013, the School and Early Years Finance (England) Regulations 2013 will come into effect and, as part of this, funding will transfer from the WCC revenue funding settlement to the Dedicated Schools Grant and should fund a statutory free 15 hours entitlement of education provision to disadvantaged 2 year olds. Whilst the regulations are in place from April, the statutory date of provision is September 2013.

3.2 Funding for this provision is currently allocated from within WCC resources but the scheme is being extended and enforced. The expectation of the scheme is that from September 2013 20% of 2 year olds will be entitled to funding and from September 2014, this will increase to 40%.

3.3 Whilst the regulations have not been confirmed yet, it is expected that children eligible for September 2013 will be those where their families meet the criteria used to establish school-aged children's eligibility from free schools meals or those that are looked after by the Local Authority

3.4 Children eligible for September 2014 will be those where their families earn a gross annual income of no more than £16,190 and will be eligible for either free schools meals, Working Tax Credits or the new Universal Credit benefit, children with Special Educational Needs or a Disability or those that are looked after by the Local Authority.

3.5 It is expected locally that the number of children eligible in September 2013 will be around 1,200 and in September 2014 around 2,400.

### **4.0 Funding Allocation from the Department for Education to the Local Authority**

4.1 Nationally, the funding levels for the extension of 2 year free entitlement have been announced as follows:

2012-13 £291m Included in Warwickshire County Council revenue funding

2013-14 £530m Included in the Dedicated Schools Grant

2014-15 £760m Included in the Dedicated Schools Grant

4.2 The 2 year old funding within the DSG will not be ring fenced but it will be identified as a separate allocation.

4.3 Allocation of funding to the Local Authority for 3 and 4 year olds is based on the census count of actual pupil numbers. However, this is not a viable approach to funding a scheme that is yet to commence, so a proxy measure will be introduced. The formula for distribution will need to take account of the number of children that are likely to meet the criteria and also the likely costs of each area to provide places. The latter will probably mean that an area cost adjustment will be applied.

4.4 Whilst the exact formula approach is yet to be confirmed, it will be used for 2013-14 and 2014-15. After this period, a decision will be made as to whether the use of actual pupil numbers would be more relevant.

4.5 At the time of writing this report, it is not clear the level of funding that will be transferred from WCC revenue funding or the amount that will be introduced into the DSG for 2013/14.

## **5.0 Funding Allocation from the Local Authority to Providers**

5.1 The Local Authority is required to allocate funding for disadvantaged 2 year olds through an extension of the Early Years Single Funding Formula (EYSFF), the method of allocating funding for the free entitlement of 3 and 4 year olds.

5.2 Extending the EYSFF to include 2 year olds advantages:

- Recognises that the 2 year old scheme is an extension of the 3 and 4 year old scheme
- It will probably relate to the same providers, therefore funding calculated on the same formula makes sense
- The EYSFF requires the Local Authority to work with providers to determine costs as a way of calculating funding rates, therefore this is an opportunity for both parties to work together and engage afresh in an open and honest way
- If the funding rates for all EY provision is within one formula, the DfE is better able to collate data for comparison and benchmarking purposes

5.3 The difference to the current EYSFF is that:

- There is no mandatory deprivation supplement as there is for 3 and 4 year olds. As all of the children attracting this funding will have already been identified as being from a deprived background, this would be an unnecessary requirement

- The rules on the place based funding are to be relaxed to encourage, where needed, the expansion of provision for 2 year olds meeting the 20% and 40% entitlements. Places rather than participation funding will, however, be a temporary arrangement.

5.4 This does not mean, however, that the EYSFF for 3 and 4 years old will simply be extended to include 2 year olds. A core principle of the EYSFF is that the hourly rate is established after considering the costs of provision. As the costs associated with these children will be higher due to smaller child/carer ratios, the Local Authority is expected to determine a separate rate for 2 year olds.

5.5 It will also be permissible that the DSG is used to check the eligibility of 2 year olds for such funding. The Local Authority already has a Free School Meal eligibility checking service that is funded by the DSG for mainstream schools so this can be extended to include these younger children too.

## 6.0 Project Management Approach

6.1 Local Authority officers within the Learning and Achievement Unit have been working to understand the implications of these changes but, as with the main schools funding reforms, the time scales for implementation of a revised EYSFF are tight.

6.2 Following recent funding reviews, the suggested approach is that a Project Team is established to consider the detailed workings and that these are reported to a Project Board who will suggest an approach to be recommended by the Schools Forum. In turn, this recommendation will need to be agreed by the Cabinet.

6.3 It is suggested that the Project Team be as follows:

- **Project Managers:** Katie Penfold and Jo-Anne Haines (both Principal Accountants)
- **Local Authority Officers:** Diana Spragg (Senior Officer Early Years & Childcare Sufficiency and Business Support), Michelle Taylor (Manager for Administrative and Financial Services) and Penny Harding (Nursery Funding Officer)

6.4 The Schools Forum is requested to volunteer additional members of the Project Team to represent the following sectors:

- PVI
- Nursery schools
- Nursery classes

6.5 Due to the volume of the PVI sector, it is suggested that there be another representative who can be selected by the Early Years team following discussions with their colleagues.

6.6 There is already in place an Early Years and Childcare Transformation Board whose remit is to make decisions regarding the Early Years provision in general. Its members are as follows:

- Councillor Heather Timms
- Councillor Carol Fox
- Mark Gore (Head of Service – Learning and Achievement)
- Hugh Disley (Head of Service – Early Intervention)
- Jane Williams (Head of Children, Young People and Families, Warwickshire Primary Care Trust)

6.7 It is suggested that this group is used as the Project Board for this particular project.

## **7.0 Key milestones**

7.1 The key milestones of the project will be as follows:

December –

- Formalise the Project Team and Project Board
- Determine the project documentation (PID, Project Plan, risk register etc)
- Establish the providers to contact for cost analysis
- Understand DSG funding for 2013-14

January

- Provider costs gathered

February

- Provider costs analysis and correlation to DSG funding

March

- Report to Schools Forum with a recommendation
- Report to Cabinet for final approval
- Communication with providers and budgets allocated

## **8.0 Conclusion**

8.1 With both an extension of the 15 hours free entitlement for 2 year olds and the transfer of this funding to the DSG, there is a requirement to amend the way in which

funding is allocated to providers. The Local Authority will need to carry out a review of the costs of such provision and extend the EYSFF accordingly, ready for implementation in April 2013.

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