

## **Schools Forum**

**7<sup>th</sup> March 2013**

### **Disadvantaged 2 Year Old Funding – Extension of the Early Years Single Funding Formula**

This report relates to both maintained and academy schools

#### **Recommendation**

The Schools Forum is recommended to:

- 1) Recommend a rate of £4.95 for disadvantaged 2 year olds to be included in Warwickshire's Early Years Single Funding Formula (EYSFF). This will be subject to final approval by the Cabinet.

#### **1.0 Introduction**

1.1 A report was brought to the last Schools Forum detailing the Government's intention to extend the 15 hours free early education entitlement to include the 20% most disadvantaged children in the country from September 2013. From September 2014 this will be extended to include the 40% most disadvantaged children in the country.

1.2 To fund this, the Government has provided Warwickshire an allocation of £2,596,466 which will come through the Dedicated Schools Grant (DSG). This works out at £4.95 per hour, per child based on an estimated uptake of 921 children. Children eligible 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.

1.3 In order to comply with regulations the Local Authority must establish a funding formula for this provision which must be in place by 1<sup>st</sup> April 2013.

#### **2.0 Project work undertaken to date**

2.1 A Project Team was established to consider the extension to the EYSFF and met in January and again in February. The Project Team consists of the following members:

- Katie Penfold - Principal Accountant, DSG

- Jo-Anne Haines – Principal Accountant
- Diana Spragg – Senior Officer Early Years & Childcare
- Michelle Taylor – Manager for Administrative Services, Early Years
- Penny Harding – Nursery Funding Officer
- Steve Dyke – Nature Trails (PVI)
- Carolann Grewcock – Teddy and Daisies (PVI)
- Melissa Pearson – Bambinis (PVI)
- Chris Errington – St Michaels Primary School (head teacher)
- Amanda King – Bedworth Heath Nursery and Children’s Centre (head teacher)
- Latika Davis – Kingsway Primary School (governor)

2.2 Prior to the first Project Team meeting a cost survey was sent to a sample of providers to establish the average cost of providing childcare to two year olds. Of the 100 providers surveyed, only 24 responses were received with costs varying significantly. The lowest cost was £2.69 with the highest at £8.15; the average was £5.11. From the data we received there was no discernible difference in the costs incurred by PVI providers and Children’s Centres. A low response to the survey and the differences in costs is a pattern also being seen by other Local Authorities carrying out this process.

2.3 Three scenarios were presented to the Project Team based on

- the average cost incurred by providers
- £4.95 as per the allocated funding, and
- £4.85 at which the pilot is currently funded.

2.4 It was recognised that it was not sustainable to fund at a rate higher than had been allocated to Warwickshire, however using a higher rate than the current £4.85 was hoped would incentivise providers to take part in the scheme. Therefore it was suggested that further analysis was undertaken to model a rate of £4.90.

2.5 The report from the first Project Team meeting was due to be taken to the Early Years and Childcare Transformation Board. However, due to the timing of the Board’s next meeting the report was instead taken to Sarah Callaghan, Head of Service, Learning and Achievement for review.

2.6 The Project Team requested that for the second meeting it would be useful to look at the fees charged by providers against the suggested rates. Of the 17 fees that were obtained the average charge for two year old provision was £4.16.

2.7 At the second Project Team discussions were focussed on which of the rates would be the most sustainable but also be attractive to providers. Concerns were raised that if the rate was set at £4.95, this might need to be cut in future if there was

an oversubscription of places. The financial impact of these rates is shown in Appendix A.

2.8 However in 2015/16 the entitlement will move to a place led funding structure so any potential oversubscription of places will be a short term issue. It was also recognised that if the higher rate of £4.95 was selected the financial effect of any potential oversubscription will be immaterial when compared with the lower rate of £4.90.

2.9 A vote was taken and the Project Team unanimously decided on a funding rate of £4.95.

2.10 In addition to the £2.596m DSG funding for 2013/14 to fund provision for the 20% most deprived 2 year olds in the county, the Department for Education has also included £1.1m as trajectory funding and a one off £686,312 capital contribution. Both are aimed at assisting the Local Authority in building capacity so that the increase in statutory entitlement to around 40% of 2 year olds will be viable by September 2014. Both of these funding streams will be managed by the Learning and Achievement officers responsible for early year's provision.

### 3.0 Recommendation and Financial Impact

3.1 Having considered the expected uptake and the impact on the overall DSG position, the Project Team recommend that Schools Forum agrees that a funding rate of £4.95 per hour be added to the EYSFF for disadvantaged 2 year olds. This will be effective from April 2013 and will be reported to the Councils Cabinet for final approval.

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