

**TO: SCHOOLS FORUM  
14 MARCH 2013**

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**FREE EARLY EDUCATION FOR TWO YEAR OLDS  
(Director of Children, Young People and Learning)**

**1 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to present proposals to the Schools Forum for the organisational and financial arrangements to be put in place to ensure compliance with the forthcoming statutory duty to provide up to 570 hours per annum of free early years education for the least advantaged two year olds. Views are being sought from the Forum in advance of final decisions on these matters which are mostly the responsibility of the Executive Member for Children, Young People and Learning.

**2 RECOMMENDATION(S)**

**That the Schools Forum recommends to the Executive Member:**

- 2.1 **That subject to there being a sufficient overall year end surplus balance on the Schools Budget, that any under spend against the 2 year old element of the grant is ring fenced and carried forward to 2014/15 for use to support successful delivery of the programme.**
- 2.2 **That in 2013/14 two year old early education places are funded at a flat rate of £5.10 per hour.**
- 2.3 **To support the implementation of 15 hrs per week of free early years education for eligible two year olds,:**
- i. where possible, provision is secured and funded from April, rather than the statutory implementation date of September**
  - ii. that initially, providers are funded on the basis of an agreed number of places for two year olds, rather than on actual participation.**
- 2.4 **That the Trajectory Funding allocation of £251,893 be held centrally within the Schools Budget to support the implementation of free early education for two year olds.**

**3 REASONS FOR RECOMMENDATION(S)**

- 3.1 **To ensure the statutory duty to deliver free early education to the least advantaged two year olds and other relevant funding regulations are complied with.**

**4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 None.

## **5 SUPPORTING INFORMATION**

### Introduction and background

5.1 In September 2012, the Forum received a report on the forthcoming statutory duty to provide up to 570 hours per annum of free early years education for the least advantaged two year olds. The key points presented at that time were:

1. that providers must be funded through an extension to the existing Early Years Single Funding Formula (EYSFF) that is used to fund providers supporting three and four year olds;
2. that from April 2013, funding would be transferred from general council income into the Dedicated Schools Grant (DSG);
3. that a total budget provision to meet this duty would need to be determined, and
4. within the total budget, the amount needed to fund the range of required support services would need to be confirmed.

5.2 In October, the Local Authority (Duty to Secure Early Years Provision Free of Charge) Regulations 2012 were laid which set out the eligibility criteria for the first phase of the two-year-old entitlement to free early education that will apply from September 2013. This determined eligible children as those from families that meet the criteria used to establish school aged children's eligibility for free schools meals and those that are children looked after. Furthermore, in order to secure high quality provisions, the DfE expects local authorities to only fund places in settings that are rated good or outstanding by Ofsted.

5.3 The Government proposes to build on the eligibility criteria so that from September 2014 in addition to children who meet the free school meals criteria or who are looked after, more low-income families, those with special educational needs or disabilities and those who have left care but are unable to return home would also qualify for the free entitlement.

### General Funding Allocations

5.4 As part of the process to set the 2013/14 Schools Budget, in January, the Forum was informed that the DfE had added £0.894m to the Council's DSG to fund payments to providers and support services with £0.170m allocated as a capital grant to help create the additional capacity needed to accommodate two year olds. It was agreed that whilst there are no conditions attached to this new funding, in the first instance, it should be ring fenced for the intended purposes.

5.5 The £0.894m allocation of revenue is divided into two elements; £641,646 for place funding which is expected to be passed on to providers through the EYSFF, and £251,893 trajectory funding which will be included in the 2013-14 financial settlement only and is intended to help develop sufficient high quality local provision and support services.

5.6 DSG funding has had to be allocated to local authorities based on forecast take up rather than eligibility as there is no reliable data relating to eligibility. The DfE have forecast take up of places using free school meal data for four to six year olds as a proxy measure, and this indicates take up of places in 2013 to be approximately 205,

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which once the eligibility criteria widens in September 2014, is forecast to rise to approximately 340.

- 5.7 Whilst the statutory start date of provision for 15 hours per week funded places for eligible two year olds is September 2013, the funding allocation from the DfE allows for implementation of 205 15 hrs per week places to commence from April 2013. This builds on the existing delivery of up to 10 hours per week funded places to 81 of the most vulnerable 2 year olds in BFC (a pilot project initially funded by the DfE but for the last two years, funded from the Council's general income). It is therefore recommended that places for eligible 2 year olds are made available from April 2013.
- 5.8 Funding to providers for 3 and 4 years olds must be delivered through the EYSFF and initial advice from the DfE was that funding for 2 year olds should be allocated through an extension of the current EYSFF. Significant work to prepare such an extension was carried out, however guidance received from the DfE in November 2012 advised '*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.*' For this reason it is proposed to fund providers on a single hourly funding rate.
- 5.9 DfE funding for 3 and 4 year olds through the EYSFF must be based on actual participation, except for children with SEN or children in need, where the LA may fund on a per place basis. To support LAs in their work with providers to expand capacity, the DfE has relaxed the rules on participation based funding and will allow place based funding for 2 year olds in 2013/14 and 2014/15. This is expected to be a temporary arrangement until at least 2015, and is recommended to be adopted in BF.

### **Proposed use of 2 year old funding**

#### 5.10 Place Funding

Proposals for allocation of place funding are as follows:

Place Funding	£547,000
SEN/AEN Support Funding	£42,066
Contingency	£52,580
	<b>£641,646</b>

Due to uncertainty of future funding levels, with a confirmed amount for 2013-14 only, it is important to set an hourly rate which is expected to be sustainable into the future whilst at the same time ensuring sufficient funds are retained to support SEN/AEN needs and to have an initial contingency for unforeseen circumstances. In making proposals on use of place funding, consideration has been given to the following:

- **Hourly rate** – the hourly rate is set by the LA in consultation with Schools Forum, but it is important that the rate set is sustainable within the funding allocation provided by the DfE. The DfE have allocated based on an average hourly rate for delivery of 2 year old childcare of £5.09 per hour and included an area cost adjustment for high cost

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areas. Bracknell Forest has been funded at a rate of £5.49 per hour (including SEN/AEN). A provider cost analysis was carried out in Bracknell Forest during autumn 2012 and this identified the average hourly rate of delivering 2 year old childcare in Bracknell Forest was £5.90. It is important that the LA funds providers at a level as close as possible to the average cost. Based on the DfE place funding allocation of £641,646 (and ensuring a suitable amount is retained to support SEN/AEN) it is proposed that the flat hourly rate will be £5.10 for a maximum of 570 hours per year. Full year forecast costs have been calculated using a phased increase in uptake from 155 in April, increasing by 10 a month, peaking at 205 in October, then remaining constant at this level to March 2014. This would cost around £547,000.

- **SEN/AEN** – a number of children accessing funded places will require additional support. The DfE state that ‘The funding allocated contains sufficient flexibility to provide additional support for two year olds with additional educational needs and Special Educational Needs. Funding included in the High Needs Block of the DSG may also be used to support two year olds with additional needs’.

A DfE commissioned report ‘Children with Special Educational Needs 2010: an analysis’ identified that “Pupils with special educational needs were much more likely to be eligible for free school meals than those without special educational needs. Of pupils with statements those with a primary need type of behaviour, emotional and social difficulties were most likely to be eligible for free school meals.” The same report identified that in 2010 approximately 21% of school aged children would be identified with SEN/AEN. Historic data accumulated from the pilot delivery of funded 2 year old places in Bracknell demonstrates that on average 12.5% of 2 year olds – around 25 children - will require additional funded SEN/AEN support for an average of 6 hours per week.

It is therefore proposed that SEN/AEN funding addition is continued at the current hourly rate of £7.20 which equates to a cost of £42,066

- It is proposed that the balance of place funding, £52,580 is retained centrally as a contingency for uptake and/or SEN/AEN needs, but is ultimately set aside to fund payments to providers.

### 5.11 Trajectory Funding

Trajectory funding is intended to help develop sufficient high quality local provision and support services as the new duty is rolled out to eligible children. As set out above, it is likely that the funds will need to be spent over the next two financial years. All of the trajectory funding is proposed to be centrally managed within the Schools Budget to ensure a strategic approach is adopted in the use of this one-off funding.

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Proposals for allocation of trajectory funding are as follows:

All costs forecast across 2013/14 & 2014/15	
Establish management & outreach capacity within LA	£141,000
Targeted workforce development programme	£30,000
Grants to expand provision	£50,893
Publicity and marketing	£5,000
Contingency of approx 10%	£25,000
	<b>£251,893</b>

Funding and support will be targeted at those areas of the borough identified by the Childcare Sufficiency Assessment as having insufficient places to meet needs and will build on work being funded by the Council in the current year to develop childcare places as well as the £0.170m capital grant awarded by the DfE for this purpose.

When planning use of trajectory funding consideration has been given to the following:

- **Sufficiency (PVIs)** – there are currently fifty 15 hour equivalent places for disadvantaged 2 year olds in Bracknell, which are funded at hourly rate of £4.85 (with no increase in hourly rate since the introduction of the pilot in 2009). Sourcing an additional 155 places 2013/14 and a further 135 places in 2014/15 will undoubtedly be a challenge. There is minimal spare capacity in early years settings, and therefore significant work with PVI settings and childminders will be required to create these additional places. Based on ratios of 1:4 staff to children, a minimum additional 73 qualified childcare staff (38 in 2013/14 and 34 in 2014/15) will be required to deliver these places, and this in turn will require significant workforce development. Trajectory funding will be used to support the expansion of funded 2 year old places in existing provision (including childminders). This will include, but not be limited to, direct support for children and providers, provision of additional targeted resources and workforce development training.
- **Sufficiency (Maintained Schools)** – maintained schools have the option to deliver 2 year old early education, however no schools in Bracknell currently offer this service. Recent feedback from schools in BFC is that they are not planning to offer places to 2 year olds. Furthermore Ofsted has advised that any provider (including schools) wishing to register to deliver 2 year old places must allow at least 26 weeks prior to delivering places for the registration process to be completed. Therefore schools would need to have commenced the registration process by the end of February 13 for places delivered from September 13. If any school does decide to offer 2 year old places it is likely that this will be from September 2014 to enable planning and implementation timescales to be met. An alternative option already in place for a number of BFC schools is to work in partnership with a PVI provider to deliver places on school premises.

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- **Outreach** – The free entitlement for two year olds targets the least advantage two year olds. These include children in the hardest to reach families in the borough. Two outreach workers will be employed in 2013/14 (reducing to one in 2014/15) to encourage the uptake of the new entitlement in these hard to reach families. The outreach workers role will include the identification and locating of qualifying hard to reach families not accessing the entitlement, encouraging these families to apply for funding, ensuring that all children approved for funding take up their entitlement and assisting parents of qualifying children to find places at participating providers which meet their needs.
- **Management** – trajectory funding will be used for the cost of LA staff managing the expansion of the two year old free entitlement and developing the necessary provider capacity and quality of provision.
- **Uptake** – it is unlikely that all eligible children will immediately take up places, but based on take up during the pilot delivery of 2 year old funded places (2009 to date) there is an expectation that take up will rise quickly and demand could exceed available place funds (although this is unlikely in 2013/14). Therefore plans for trajectory funding will be monitored and reviewed to help bridge any gap. There is a need to reserve places now to ensure sufficient availability in September
- **Contingency** - approximately 10% of the trajectory fund will be retained as an unallocated amount to be available to meet unforeseen costs.

### Conclusion

- 5.12 There is a significant amount of work to complete if the requirements from the DfE are to be met. However, within the programme there are a number of unknown factors, such as the speed of development of sufficient places and actual take-up levels by parents and how quickly this happens. Therefore, it is possible that implementation will be slower than currently planned with the result that not all actions will be completed this financial year. It is therefore possible that if delays occur, the Forum will be requested to agree to carry forward any unspent budget to be used in 2014/15 to ensure successful delivery of this government objective.

## 6 **ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 6.1 The relevant legal provisions are contained within the main body of the report.

### Borough Treasurer

- 6.2 The Borough Treasurer is satisfied that based on the assumptions set out in the supporting information, sufficient resources are available to fund the proposals.

Equalities Impact Assessment

6.3 An EIA screening has been completed

Strategic Risk Management Issues

6.4

Issue	Impact	Risk
Insufficient funding	<p>Quality will be adversely affected</p> <p>Family support not in place particularly for those chaotic families</p> <p>Prevention and early intervention not addressed</p> <p>Support costs will increase as families deteriorate</p> <p>Providers will not be sustainable</p> <p>Not enough places to meet need</p>	<b>LOW</b>
Insufficient places	<p>Not meeting statutory duty</p> <p>Child poverty may increase</p> <p>Families with multiple problems will continue to increase</p>	<b>MEDIUM</b>
Outcomes for children	<p>The attainment gap will not close as quickly as desired</p> <p>The Early Years Foundation Stage Profile results for these children will continue to struggle to meet the national average</p>	<b>MEDIUM</b>
Family Support	<p>Insufficient capacity to provide effective family support will result in lost opportunities for 2 year olds to achieve their potential.</p>	<b>LOW</b>

## 7 CONSULTATION

### Principal Groups Consulted

- 7.1 Single Funding Formula representative group, all early years providers

### Method of Consultation

- 7.2 Meetings, questionnaire

### Representations Received

- 7.3 None received

### Background Papers

None

### Contact for further information

David Watkins, Chief Officer, SR&EI  
[david.watkins@bracknell-forest.gov.uk](mailto:david.watkins@bracknell-forest.gov.uk)  
01344 354061

Karen Frost, Head of Prevention & Early Intervention  
[Karen.frost@bracknell-forest.gov.uk](mailto:Karen.frost@bracknell-forest.gov.uk)  
01344 354024

Heather Carter, Performance Management Co-ordinator, Prevention & Early Intervention  
[heather.carter@bracknell-forest.gov.uk](mailto:heather.carter@bracknell-forest.gov.uk)  
01344 354045

Cherry Hall, Early Years Foundation Stage Inclusion Manager  
[cherry.hall@bracknell-forest.gov.uk](mailto:cherry.hall@bracknell-forest.gov.uk)  
01344 312811