

Schools Forum 13 November 2012

Report of the Director of Children's Services

Consultation on Early Years Single Funding Formula for Two Year Olds

Purpose of Report

1. To inform Schools Forum members of the consultation process in respect of implementation of the Government's proposed changes to funding the free entitlement to early education for two year olds.

Discussed at HTCF – BWG

2. Yes – 7 November 2012.

Schools Forum Role and Responsibilities

3. From 1st April 2006, the Schools Budget has been funded by a direct DfE grant: Dedicated School Grant (DSG).
4. The Forum is the 'guardian' of the local Schools Budget, and its distribution among schools and other bodies, and therefore must be closely involved throughout the development process.
5. A local authority must consult their Schools Forum and schools maintained by them about any proposed changes to the formulae in relation to the factors and criteria taken into account and the methods, principles and rules adopted.

Actions for Schools Forum

6. To note the contents of the draft consultation document in respect of implementation of an Early Years Single Funding Formula (EYSFF) for two year olds which is due to be issued on 26th November 2012

Attachments to Report

7. Appendix A – Draft consultation document on Early Years Single Funding Formula for Two Year Olds.

Sue Coates
Senior Principal Accountant
29th October 2012

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Purpose of Report

1. To inform Schools Forum members of the consultation process in respect of implementation of the Government's proposed changes to funding the free entitlement to early education for two year olds.

Background

2. Funding for free targeted early education for two year olds will, from 2013-14, be transferred from Early Intervention Grant funding to the Dedicated Schools Grant (DSG), within the Early Years Block. The amount of funding intended to support development of and payment for two year old places will grow substantially over the next two years as the national programme develops. In 2012-13, nationally £291m is included within the Early Intervention Grant (EIG). Within the DSG this will increase to £530m in 2013-14 and £760m in 2014-15. Dudley's allocation should be announced in December.
3. The DSG funding is intended to support the delivery of targeted places for children meeting national eligibility criteria (both before the statutory entitlement starts in September 2013 and after); places for other children will be at local discretion, funding within the two year old allocation can also be used by the LA to build capacity and quality.
4. For the period between April and August 2013 the offer known as 'Time for Twos' in Dudley will continue to be funded aiming to achieve the DfE target of 600 places. August 2013 will see the end of the national pilot for the 2 year old project to deliver early learning and care to the most disadvantaged two year olds in the Borough. The local offer targets support for a specified number of children with a focus on economic deprivation, which is the mandatory criterion linked to benefits. From September 2013 the DfE target for Dudley will increase to 1000 places to be achieved by April 2014. This will be a statutory entitlement for disadvantaged two year olds which will be funded by the Early Years Single Funding Formula (EYSFF) for two year olds.

Changes for 2013/14 from September 2013

5. Local Authorities will be required to fund providers of free early education for two year olds through an Early Years Single Funding Formula (EYSFF) from September 2013. The necessary DfE changes to the Schools and Early Years Finance Regulations are now in draft and will give effect to the changes from 2013/14.
6. A summary of the changes is listed below for information;
 - Two year old targeted offer becomes a statutory entitlement from September 2013;
 - Free two year old places will be targeted to the children who will benefit most, with a primary focus on economic disadvantage;
 - Two year olds will be eligible if:
 - Their families meet the criteria also used to establish school-age children's eligibility for free school meals (FSM); or
 - They are looked after by the local authority;
 - The DfE launched a consultation which closed on 15th October 2012, on proposals to extend the free two year old entitlement to more two year olds on the proposed eligibility criteria for the second phase from September 2014.
 - Each LA to develop an EYSFF for early education for two year olds to be implemented from September 2013.
 - Delivery of free early education for two year olds from September 2013 to children eligible in the first (20%) phase of entitlement.
 - Delivery of free early education for two year olds earlier in the year to some children meeting the 20% criteria.
 - Delivery of free early education for two year olds to some children meeting the second (40%) phase eligibility criteria, in advance of introduction of the September 2014 entitlement.
 - Delivery of free early education for two year olds to some other children at the LA's discretion.

Purpose of the Consultation

7. The consultation period will run from 26th November to 18th January 2013 and seeks views from stakeholders which will inform the process of calculating the unit rate for payment in respect of Dudley's EYSFF funding methodology for two year olds from September 2013.
8. In order to establish the cost of provision for two year olds an exercise has been undertaken to identify the range of actual costs for local providers in addition to a "theoretical cost model" for the provision.
9. For the current actual cost comparisons, the cost of provision data has been obtained from current providers. Responses were received from 9 Childminders and 34 Private and Voluntary providers out of a total of 280 providers. For the "theoretical cost " model this has been produced based on actual staffing ratios at average salary points and including average costs of overheads. The outcomes of this exercise are also shown in Table 1.

Table 1 Cost data for provision of Early Education for two year olds

Type of Provision	Maximum actual cost per hour	Minimum actual cost per hour	Cost per hour based on theoretical cost model
	£	£	£
Private & Voluntary	£3.66	£2.49	£3.91
Childminder	£4.54	£1.77	£3.85

10. Table 1 identifies that the range of actual costs varies significantly and the response rate from stakeholders surveyed was poor, therefore, in the light of the outcomes of the cost analysis exercise the consultation will propose, at this stage, to fund early years provision for two year olds at a basic rate of £4.00 per hour for all providers.
11. The final decision in respect of the rates payable for two year old provision will be based on the outcomes of this consultation and the level of funding provided by the DfE in respect of this provision. The funding allocation from the DfE should be known by December 2012 and the Director of Children's Services will then be in a position to make a final decision based on this information.
12. After the consultation close date of 18th January 2013 the provisional outcomes will be reported to Headteachers Consultative Forum - Budget Working Group (HTCF-BWG) on 6th February 2013 and to Schools Forum on 12th February 2013.
13. The Director of Children's Services will formalise decisions at the Directorate Strategic Leadership Team (DSLTT) before 31st March 2013 in order that budgets for 2013/14 can be produced and published by the statutory deadline of 31st March 2013.

Finance

14. The funding of schools is prescribed by the Department for Education (DfE) through the School Finance (England) Regulations 2012 to be replaced in 2013 by the School and Early Years Finance (England) Regulations 2013.
15. Schools Forums are regulated by the regulated by the Schools Forums (England) Regulations 2012.
16. From 1st April 2006, the Schools Budget has been funded by a direct grant; Dedicated School Grant (DSG).

Law

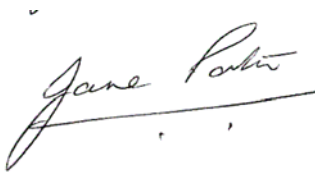
17. Councils' LMS Schemes are made under Section 48 of the School Standards and Framework Act 1998. The Education Acts 1996 and 2002 also have provisions relating to school funding.

Equality Impact

18. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

Recommendation

19. Schools Forum to note the information contained within this report with reference to the consultation process for an Early Years Single Funding Formula for the free entitlement to early education for two year olds. The outcomes of the consultation will be reported to Schools Forum at the February 2013 meeting.

A handwritten signature in cursive script, reading 'Jane Porter', with a horizontal line drawn underneath it.

Jane Porter

Director of Children's Services

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