

Written Ministerial Statement on Funding Early Education

1. Today I am announcing indicative revenue funding allocations to local authorities to secure early education places for two year olds from lower income households. This will form part of the Dedicated Schools Grant (DSG) in 2013-14. I am also announcing capital funding allocations for the current financial year.

Revenue funding

2. The government announced in the “Government Response to Supporting Families in the Foundation Years: Consultation on Proposed Changes to Free Early Education and Childcare Sufficiency “ (May 2012), that funding for early education for two year olds will form part of the DSG in 2013-14¹. This reflects the fact that early education will become a statutory entitlement for around 20% (130,000) of eligible two year olds² from September 2013, in the same way as it is for all three and four year olds.

3. Formula details – in 2013-14 the Department is allocating £525m to local authorities and using £9m itself to fund the new programme for early education for two year olds. Local authority allocations have been calculated using an estimated number of eligible two year old children likely to receive provision in each area, using Free School Meals (FSM) data for four to six year olds as a proxy, and including an area cost adjustment. Each local authority’s allocation includes a notional amount for statutory places (which must be funded once the entitlement for 20% of two year olds comes into force from September 2013) and a notional amount for trajectory building which will be used, in the main, to create non-statutory places in preparation for the entitlement for 40% of two year olds (September 2014).

4. Funding rates – the result of the formula is that the Department is allocating funding to local authorities at an average hourly rate of £5.09 for statutory two year old places. This compares favourably to the Daycare Trust Cost Survey 2012 which shows average hourly childcare fees in England are £4.13 per hour for under-twos and £3.95 per hour for children aged two and over.

5. Local funding arrangements – research evidence is clear that high quality early education is critical to the success of the early years programme for two year olds from lower income families. The government expects local

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<https://media.education.gov.uk/assets/files/pdf/g/government%20response%20proposed%20changes%20to%20free%20early%20education%20and%20childcare%20sufficiency.pdf>

² Eligibility criteria for first phase of the entitlement: 1) Looked after children; 2) Children who meet the FSM criteria e.g. from families whose income is below £16,190 and their parents are in receipt of any of the following benefits: Income Support; Income-based Job Seekers' Allowance; Income-related Employment and Support Allowance; Support under Part VI of the Immigration and Asylum Act 1999; the Guarantee element of the State Pension Credit; or Child Tax Credit, provided they have an annual gross income of no more than £16,190, as assessed by Her Majesty's Revenue and Customs, and are not in receipt of Working Tax Credits (except during the four-week period immediately after their employment ceases, or after they start to work fewer than 16 hours per week).

authorities to fund places in any settings that are rated good or outstanding by Ofsted. Our aspiration is that all eligible two year olds are able to receive early education in good and outstanding provision.

6. We expect local authorities to pass all available funding to providers and not retain any centrally, and to do so using a flat rate with no supplements so that all providers receive the same rate. Stable and sustainable funding rates are vital to give providers the confidence to offer new two year old places. We will increase transparency so that providers and parents will be able to hold local authorities to account on the rate they are offering. For the first time, from 2013-14, local authorities will be required to submit details of the funding rates they pay providers for two, three and four year old places to the Department. This information will be published on the Department's website and will enable providers and parents to compare rates across the country, particularly between similar local authorities.

7. Participation funding – we see the key role of the local authority as 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 we intend to do so as quickly as possible from 2015. In the interim, the Department will provide funding to local authorities according to a formula, based on estimated numbers of eligible children. Local authorities will be made aware, in their allocation letters, of the intention to move towards participation-based funding for the new programme at the earliest opportunity.

Capital funding

8. £100 million of capital funding will be allocated in 2012-13 as a contribution to local authorities' capital budgets. This additional funding may be used for any capital purpose, but it is intended to support implementation of early years education for two year olds from lower income families.

9. Formula details – local authority allocations have been calculated using the estimated number of eligible two year old children in each area (using FSM data for four to six year olds as a proxy) and including a capital specific area cost adjustment.

10. More details about today's revenue and capital allocations are being sent to local authorities and will be published on the Department's website at: www.education.gov.uk. Details of today's announcement can be found at Annex A and copies of the dedicated school grant and capital investment documents will be placed in the House Libraries.

Accompanying documents

- A table of local authority revenue and capital investment allocations
- A technical note explaining the methodology used to calculate these allocations

These can be found online at: www.education.gsi.gov.uk