

Report to the Deputy Leader of the County Council
Report submitted by: Director of Corporate Commissioning
Date 13 March 2017

Part I

Electoral Division affected:
(All Divisions);

Capital Funding for 30 Hours Extended Entitlement

Contact for further information:

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Executive Summary

In April 2016, as part of its commitment to support providers in delivery of the 30 hours extended entitlement, the Government announced it would be making £50m capital funding available for local authorities to submit funding bids for the creation of new childcare places.

In July 2016 the authority invited all eligible childcare providers in Lancashire to submit an application for funding. Childminders were not eligible to apply.

The authority received notification at the end of December 2016 that the Education Funding Agency had awarded funding to two of the six projects submitted by Lancashire totalling £1,466,130.

This report is requesting approval to add this funding to the 2017-2018 Children and Young People's block of the Capital Programme.

This is deemed to be a Key Decision and the provisions of Standing Order No. 26 have been complied with. Compliance with SO25 was not possible, the reason for this is that it was intended that this report would go to the Executive Scrutiny Committee in April. However, it has become clear that the sustainability of one of the two projects would be put at risk if a decision waited until April, and it is therefore necessary to proceed on an urgent basis so that approval for the grant spend can be obtained and the agreements signed prior to the April Decision Making Session and Executive Scrutiny Meeting.

Recommendation

The Deputy Leader of the County Council is requested to approve:

- i) the Early Years Capital Grant Funding received from the Education Funding Agency be added to the 2017-2018 Children and Young People's block of the Capital Programme;
- ii) the Early Years Capital Grant Funding is distributed in line with the legal agreements.

Background and Advice

All three and four years old children are currently entitled to 15 hours of free childcare a week. From 1 September 2017 this will increase by an additional 15 free hours for working parents of three and four year olds who meet the Government's eligibility criteria.

In April 2016, as part of its commitment to support providers in delivery of the 30 hour extended entitlement, the Government announced it would be making £50m capital funding available for local authorities to submit funding bids for the creation of new childcare places.

Each authority was notified how many individual project bids they could submit, based on the estimated number of children that were eligible for the 30 hours extended entitlement.

Lancashire County Council was able to submit a maximum of six projects on behalf of eligible childcare providers, where they could demonstrate clear evidence of the need for additional childcare places. There was a project limit of £1m, and this also had to include 25% match funding from each childcare provider. Local authorities were required to submit their bids by 31 August 2016 in order to be considered for any capital funding.

In July 2016 the authority invited all eligible childcare providers in Lancashire to submit an application for funding. Childminders were not eligible to apply.

Applications were received from nine childcare providers, and the authority undertook a shortlisting exercise to select the six projects that provided the strongest evidence of the need for additional childcare places.

There was no guarantee that any of the six projects submitted on behalf of Lancashire's childcare providers would be successful as the Education Funding Agency (EFA) stated that funding would be prioritised nationally to projects across

the country that were able to evidence the strongest need for additional childcare places.

The authority received notification at the end of December 2016 that the EFA had awarded funding to two of the six projects submitted by Lancashire totalling £1,466,130. The EFA stated that they would not provide any feedback on individual projects that were not successful.

The table below provides details of the two successful projects:

Childcare Provider	District	Total Cost of Project	Match Funding from Childcare Provider	EFA Capital Funding Grant Allocation	Number of Childcare Places Being Created
Ashbridge	Preston	£998,840	£249,710	£749,130	78 places
Little Sparkles	Preston	£956,000	£239,000	£717,000	120 places
Total Capital Grant Awarded to LCC From the EFA				£1,466,130	

Both of the above projects are situated on private land, and do not therefore impact on the Council's property strategy.

The projects have to be completed by 31 August 2017, at the latest, to ensure new places are available from 1 September 2017, and all funding must be spent by 31 October 2017

Terms and Conditions of Grant:

The EFA have issued the Grant Funding Agreement Terms and Conditions for the Early Years Capital Grant, and the Council's acceptance of these was emailed to them on 26 January 2017.

The Council has now received the full grant allocation from the EFA within the Authority's payment for February 2017.

A summary of the key points contained in the terms and conditions are as follows:

- The authority must allocate all of the grant to Eligible Providers and it must only be used for the purpose of carrying out the projects approved by the EFA.
- No additional funding will be provided under any circumstances, and no funding is being made available to cover administrative costs associated with the grant payments.
- The local authority must provide a progress reports to the Department for Education (DfE) by 15 May 2017, and regularly liaise with the delivery contractor 'Childcare Works' with progress updates.

- All projects must be completed by 31 August 2017, and all funding spent by 31 October 2017.
- Authorities that fail to ensure their providers deliver the agreed projects may have their funding withdrawn.
- Any underspend or surplus funds after completion must be notified to the DfE immediately, and should not be used to extend the scope of the original projects or to deliver other projects.
- Prior approval must be sought from DfE for the disposal, transfer or change of use of any asset exceeding £2,500 that was acquired/improved with the grant.
- If the authority or organisation that has been allocated funding fails to comply with any of the terms and conditions, the Authority may be required to repay all or part of the funding.

Project Management:

The Free Early Education Manager is the Project Manager and the Early Education and Learning Improvement Lead is the Project Sponsor. All decisions associated with the project will be presented to Education, Schools and Skills Management Team.

The project will be managed in a similar way in which the Capital Grant for Early Education Funding for 2 Year Olds from Lower Income Households (2013-14) was managed i.e:

- The two childcare providers will be required to sign the Council's Grant Funding Agreement. This is the legal agreement that will be in place between the Council and each of the childcare providers and outlines the terms and conditions of the grant funding allocation to which they must abide.
- The funding will be paid in instalments to each childcare provider, on receipt of valid invoices for works being undertaken.
- The childcare provider will be responsible for contracting with the private contractors undertaking the building work, and will be responsible for paying the contractor's invoices.
- Funding will be released to each provider on the basis of 75% of each invoice received, as each provider is required to provide 25% of match funding to the total cost of the project.
- Regular monitoring of each project will be undertaken to ensure the project is completed on time, are within the EYFS requirements and within budget.

The Council's VAT team has confirmed that there are no implications in terms of VAT as the money is being pass-ported directly to the two settings.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

As set out below.

Legal

The EFA has stated that the Council may be required to repay the Capital Grant in part, or full, should the Council not comply with any of the conditions and requirements of the EFA's Grant Funding Agreement.

In order to mitigate any risks a Funding Agreement between the Council and each childcare provider will be in place which will outline the terms and conditions of the capital grant funding, to which they must abide.

The Funding Agreement will include specific clauses to help mitigate the risks associated with the projects not been delivered within timescales; not being delivered within the agreed budget and any potential clawback of the funding by the EFA, as follows:

- A charge will be placed upon the land upon which the project will be built.
- Providers must ensure the project is completed by 31 August 2017.
- Providers must ensure all invoices are submitted to the Authority by 30 September 2017, in order for the Authority to ensure the grant is fully spent by 30 October 2017.
- Providers will not incur any financial liability it cannot meet and acknowledges that the Authority will not meet any additional costs above those agreed.
- Providers must complete monitoring forms at the request of the Authority to report progress on a regular basis.
- Providers must allow the Authority access at any time to enable it to review its activities under the Project.
- The Authority may require the Provider to repay the grant funding, in full or part should they fail to comply with any of the terms and conditions of the Funding Agreement.

The Council has replicated the obligations placed upon it in the grant funding agreement with the applicants.

There is a lack of clarity in some aspects of the EFA terms and the relevant issues have been raised with the EFA to ensure that its expectations of the Council will be met by the grant recipients.

In addition, in a meeting with one of the applicants it became clear that it intended to raise additional funding by way of a mortgage. This will only be feasible if the mortgage charge can be registered as a priority against other interested parties. In the event that there is any default leading to the premises being sold, the bank's charge will be satisfied before the Council's and it is unlikely that there would be sufficient equity to satisfy both on current land value. However, notwithstanding the possible dilution of the protection the Council would seek through a land registry charge, the usual financial due diligence was carried out in relation to the organisation and there were no concerns about the business or its finances.

Financial:

A financial due diligence exercise will be undertaken on both providers before the Grant Funding Agreement is issued.

- It is proposed that the Early Years Capital Grant funding allocation received from the Education Funding Agency totalling £1,466,130 be added to the 2017-2018 Children and Young People's block of the Capital Programme.

List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A