

Report to the Deputy Leader of the County Council
Report submitted by: Director of Corporate Commissioning
Date: 6 April 2017

Part I

Electoral Divisions affected:
All

Capital Funding for 30 Hours Extended Entitlement - Round 2

Contact for further information:

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Executive Summary

In April 2016, as part of its commitment to support providers in the 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 (EFA) had awarded funding for two of the six projects submitted by Lancashire County Council totalling £1,466,130. On 13th March 2017 the Deputy Leader of the County Council gave approval for this funding to be added to the 2017-2018 Children and Young People's block of the Capital Programme and distributed in line with legal agreements.

On 10th March the Government announced that a further round of funding was being made available and allocated an additional £50m to the Early Years Capital Programme. The authority received notification that a further project previously submitted had successfully been awarded funding.

This report is requesting approval to add the additional funding awarded in March 2017 to the 2017-2018 Children and Young People's block of the Capital Programme and to distribute it in line with legal agreements.

Recommendation

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

- (i) The additional £120,000 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.

Round 1

In April 2016, as part of its commitment to support providers in the 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.

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.

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 table below provides details of the two successful projects that were awarded funding in the first round.

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
Preston Muslim Society (to be delivered by a subsidiary- Little Sparkles)	Preston	£956,000	£239,000	£717,000	120 places
Total Capital Grant Awarded to LCC From the EFA				£1,466,130	

On 13th March 2017 the Deputy Leader of the County Council approved that the Early Years Capital Fund for these two projects could be added to the 2017-2018 Children and Young People's block of the Capital Programme.

Round 2

On 10 March the Government announced that a further round of funding was being made available and allocated an additional £50m to the Early Years Capital Programme. The EFA notified the authority that it had been successful in securing a further £120,000 for a third project. The table below provides details of the successful project:

Childcare Provider	District	Total Cost of Project	Match Funding	EFA Capital Funding Grant Allocation	Number of Childcare Places Being Created
Moorside Academy	Skelmersdale	£160,000	£40,000	£120,000	72 places
Total EFA Capital Grant Awarded to LCC for the Early Year Capital Project				£1,586,130	

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 for the first two projects and on 15 March 2017 for the third project.

The Council received the full grant allocation for the first two projects, from the EFA, within the Authority's payment for February 2017. The EFA will make payment for the third project in March or April 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.
- All projects must be completed by 30 November 2017, and all funding spent by 31 January 2018. The original completion date for the first two projects was 31 August 2017, however the EFA have now approved an extension to the 30 November 2017 for these, which is in line with the deadline for the third project.
- 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 Strategic Service Management Team (SSMT) is the Project Sponsor.

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:

- Each 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

N/A

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 where applicable.
- 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.
- It should be noted that there are some aspects of the Funding Agreement that the applicants are not in favour of, particularly in relation to the clawback rules, and term for project delivery. The Council has sought further clarity from the EFA regarding the issues and has replicated the obligations placed upon it in the grant funding agreement with the applicants in order to mitigate any risk to the authority.
- Discussions between the Council's Legal Services and the applicants is on-going in relation to the Funding Agreement. Funding cannot be released until the Agreement is in place.

Financial

A financial due diligence exercise has been undertaken on the first two applicants who were awarded funding, and will be undertaken the third applicant.

It is proposed that the additional Early Years Capital Grant funding allocation received from the EFA of £120,000 be added to the 2017-2018 Children and Young People's block of the Capital Programme.

List of Background Papers

Paper	Date	Contact/Tel
Report to the Deputy Leader of the County Council Capital Funding for 30 Hours Extended Entitlement	13 March 2017	Andy Milroy/Democratic Services/01772 530364

Reason for inclusion in Part II, if appropriate

N/A