

**Report to the Cabinet Member for Children, Young People and Schools**  
**Report submitted by: Interim Executive Director for Children and Young People**

**Date 7 November 2013**

**Part I**

Electoral Division affected:  
All

**Early education for targeted 2 year olds progress summary**

(Appendix 'A' refers)

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**Executive Summary**

Lancashire is making progress with delivery of the new statutory entitlement to eligible 2 year old children using the strategy approved by the Cabinet Member in March 2013. A review of progress has been undertaken following the first round of bids to support expansion of early education places in priority areas. A proposal is now made to approach the Secretary of State for Education to make a revenue contribution of up to £1.4m from Dedicated Schools Grant to early years capital projects. This will support a better level of place provision in areas with a forecast 'gap' in provision than would otherwise be achieved. The £1.4m revenue funding noted above has already been allocated to the expansion of places for 2 year old children by Lancashire Schools Forum. This proposal has the support of the Forum. The Secretary of State has approved similar requests from other local authorities.

This is deemed to be a Key Decision and Standing Order 25 has been complied with.

**Recommendation**

The Cabinet Member for Children, Young People and Schools is recommended to:

- i) note the progress made in delivering early education places for eligible 2 year old children; and
- ii) approve the proposal that officers seek approval from the Secretary of State for Education to make a revenue contribution of up to £1.4m from Dedicated Schools Grant to early years capital projects in areas where there is a need for new 2 year old places.

## Background and Advice

On Monday 2 September, the statutory duty upon local authorities to secure early years provision free of charge for eligible 2 year old children took effect. At the start of the autumn term 2013 just over 1,500 two-year-old children were accessing a targeted free early education place. This is 57% of the 2,600 children in Lancashire that the Department for Education (DfE) estimate to be eligible. This is in line with take up reported by other LAs and represents substantial progress given the number of eligible children in Lancashire.

Officers contacted early years settings in spring term 2013 and calculated that Lancashire required up to 1,000 additional places to be created in some parts of the county to meet anticipated demand for the start of the new entitlement from September 2013. The DfE has allocated £2.4m revenue and £1.7m capital funding to support the development of sufficient high quality places to meet the statutory entitlement. It should be noted that these figures were calculated on a formula basis in line with available funding and therefore do not relate to an assessment of need.

With the agreement of Schools Forum and the Cabinet Member, early years providers with an Ofsted grade of good or better have been notified of the opportunity to bid for revenue and capital funding to support the creation of new 2 year old places in priority areas. In the first round of funding Lancashire received 53 bids. A panel containing representatives from the Early Years Working Group and Schools Forum considered the bids. In total 33 bids creating up to 530 new places in priority areas have been recommended. Several bids have been postponed to round 2 as they were received from providers that are not in current priority areas. Work is ongoing in the 20 priority areas where no bid was received to encourage providers to expand provision or create new places.

Bids that have been supported by the panel are creating new 2 year old places in priority areas by, for example:

- Supporting recruitment and training and assisting with the cost of employment of staff in the first term that the places become available;
- Re-configuring existing settings by inserting doors or knocking through walls;
- The provision of additional children's toilets to meet Ofsted requirements;
- The provision of extensions to existing buildings or new modular buildings.

From the bids which were supported in round 1, there has been a strong demand for capital funding where £600,000 of the £1.7m capital funding available has been approved. There has been a much lower than anticipated demand for revenue funding to the extent that only £220,000 of the £2.4m revenue funding available is currently approved. In light of feedback received from providers, the structure of the funding available in round 2 has been altered slightly to provide more revenue support where a provider is significantly expanding the number of funded 2 year old places they offer. It is anticipated that in most instances providers will only seek this increased level of revenue where they have made an application for capital funding to support the expansion of high quality provision.

On average, providers who applied for revenue bid for £700 per place created whereas providers bid an average of £2,500 of capital per place created. Revenue places are more cost effective to create, but feedback from the early years sector indicates that many providers will either undertake this work without the need to apply for funding or are constrained from doing so because of their current capacity, Ofsted/building regulations, lease/landlord, etc. It is estimated that up to 500 further places could be created using the revenue funding at a total estimated cost of £350,000. Revenue funding alone is expected to be insufficient to generate the number of early years places required to meet the statutory entitlement, certainly when considering the extended eligibility to be applied from September 2014 when a total of up to 6,700 2 year old children are estimated to be eligible.

## **Forecast**

Taking the existing demand for revenue funding (£220,000) and the forecast of a further £350,000 to be allocated for this purpose there is likely to be £1.8m revenue unspent at the end of the financial year. Given the existing demand for capital funding and feedback from the early years sector around the significance of this type of funding in creating additional provision, it is anticipated that as it stands there will be insufficient capital funding to meet demand.

## **Proposal**

Following agreement to this proposal from Lancashire Schools Forum, the Cabinet Member is asked to approve that officers seek approval from the Secretary of State to allow a revenue contribution of up to £1.4m of Dedicated Schools Grant funding towards capital schemes. This would be for the sole purpose of supporting further expansion of targeted 2 year old places in priority areas. This would give a revised budget of £3.1m for capital projects (£1.7m capital plus £1.4m revenue contribution to capital projects). Using the figures in the 'Forecast' section above this would leave an estimated £400,000 to support early years providers with revenue items in 2014/15, subject to sufficient eligible bids being received.

Bradford MDC has already applied to the Secretary of State with a request to make a revenue contribution to capital projects of up to £500,000 and been successful. The DfE has indicated that it is supportive of this as a strategy and anticipates other LAs to take up this option.

A contribution from revenue to capital projects will help with further expansion of places to provide for up to 6,700 children in Lancashire to access the extended early years entitlement from September 2014. The criteria which will determine eligibility for a targeted 2 year old early education place from September 2014 was published by the government in September and is set out at Appendix 'A'.

Using the average capital cost per place from round 1 bids, it can be predicted that a further 330 places could be created from the existing capital allocation, providing up to 700 places in total from the capital funding available (before a revenue contribution to capital is made). There is a significant risk that if Lancashire cannot find additional resource to fund capital development early years providers may not be able to generate sufficient 2 year old places in many of the most disadvantaged

communities. If the proposal to make a revenue contribution of £1.4m to capital schemes is supported and subsequently approved by the Secretary of State up to a further 550 places may be created using this funding. This would assist Lancashire to meet its statutory duty. However there is a possibility that this may still be insufficient to generate enough early years places where they are needed. Should the demand from early years providers for capital funding continue it may be necessary to seek approval for a further sum of revenue to contribute to the capital scheme in order that as many children as possible are given access to their statutory entitlement.

Capital funding is deemed critical to expansion of high quality provision in priority areas because of a lack of suitable premises in many of these areas of disadvantage. Early years settings in disadvantaged areas have traditionally had greater challenges with sustainability due to the lower demand for fee paying places and as a consequence there are fewer of them to develop places in the areas where the demand for targeted places is likely to be highest. Lower cost capital options such as schools are also less likely to be available due to the pressure on education places with the rise in the birth rate over recent years.

Schools are able to bid for expansion funding where the individual school age range allows them to deliver 2 year old places directly. However, as noted above, schools who are interested in accessing this funding are finding it increasingly challenging to identify suitable capacity due to the demand for statutory school places. Where schools have been successful in applying for this funding to date they have partnered with a third party voluntary or private sector early years provider who has led on the bid on the school's behalf. Through discussions with early years providers and schools this is an option that is increasingly being looked at as a positive way to move forward with the new entitlement.

## **Consultations**

Lancashire Schools Forum

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

### **Legal**

There is a risk that the Council may be unable to provide access to sufficient early education places if the Cabinet Member does not support the proposal outlined in the report. In this event the Council would then fail to deliver this statutory duty.

### **Financial**

There is a risk that Dedicated Schools Grant funding may not be spent by the early years sector for the expansion of new places in priority areas if the £1.4m revenue funding is not converted to capital. The transfer of £1.4m of Dedicated

Schools Grant revenue funding to the capital programme to deliver increased places for 2 year old provision is entirely funded by the schools budget. This will have no impact on the CYP cash limits as the funding is related entirely to the Dedicated Schools Grant. The government has published local authority funding allocations for 2 year old early education places in an attempt to give the early years sector reassurance that the funding is being fully utilised for this purpose.

### **List of Background Papers**

Paper	Date	Contact/Directorate/Tel
<a href="#"><u>Extending the Free Early Years Entitlement to Targeted 2 Year Olds in Lancashire</u></a>	April 2013	Phil Maltby/CYP/01772 531555