

REPORT FOR DMT

Preferred Date of DMT Meeting:	25 th February 2014
SUBJECT:	Two Year Old Entitlement Budget 2014/15
Report by:	Geraldine O'Neill
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Is the report confidential?	No

1.	Purpose PURPOSE OF THIS REPORT <ul style="list-style-type: none"> To provide an update on the local authority's current position relating to the delivery of the Free Entitlement for 2 Year Olds. To identify the current budget position and expectations for 2 year old places, following the Government announcements in December 2013 and to clarify the financial projections for 2014 – 2015.
2.	Background / Context BACKGROUND AND NATIONAL CONTEXT <p>Local authorities (LAs) have a statutory duty to secure funded early education for 20% of eligible two-year-olds in England from 1 September 2013. The entitlement will be extended to reach 40% of eligible two-year-olds from September 2014. £755 million will be allocated to LAs in 2014-15. Lincolnshire's proportion has been determined as £8,546,075.00.</p> <p>The rate used to allocate funding for local authorities in 2014-15 has been protected from 2013-14. This means calculations are based on the same rates as for 2013-14. The allocation is based on a national average rate of £5.09 per hour which varies by an Area Cost Adjustment (ACA) to recognise the differing costs between LA areas. The ACA used is the General Labour Market figure produced by the Department for Communities and Local Government. In Lincolnshire, the rate for providers has been determined as £4.85 per hour.</p> <p>The allocation is made up of two components:</p> <ul style="list-style-type: none"> Statutory funding. This takes into account the number of two-year-olds who reside in each local authority who meet the 20% and 40% eligibility criteria. The funding

includes one term (190 hours) of provision for children under the 20% criteria in the summer term and two terms (380 hours) of provision for those eligible under the 40% entitlement in autumn and spring terms once the 40% entitlement commences. The national statutory place funding allocated is £672.5 million.

- Trajectory funding. The balance of the £755 million is allocated to local authorities using the number of two-year-olds under the 40% eligibility criteria. The national trajectory funding allocated is £82.5 million.

LOCAL CONTEXT

Following a 2 year old DMT paper in April 2013, Lincolnshire agreed to introduce the September 2014 40% criteria from the summer term 2013. This has supported the local authority to place a higher number of 2 year olds in education compared to the government's proposal.

Local data shows that Lincolnshire currently has a two year old population of 7,916 (GP data 2012).

Table 1: overview of take-up of places since September 2013 and the projected growth expected for 2014/15.

TABLE 1	September 2013	January 2014	May 2014	September 2014	January 2015
DfE Target number of children to be funded	1,268 (16% of population)	1,268	1,701 (21% of population)	3,278 (41% of population)	3,278
Number of children in education places at the time of the Early Years Census	1,366	1,451	TBC	TBC	TBC
Number of children in education places by the end of the term	1,515	Predicted 1,870	Predicted 2,591	Predicted 2,950 (90% of DfE Target)	Predicted 3,278 (100% of DfE Target)

Although the census is used at a specific time to capture numbers of children accessing places, in actuality the number increases during the term and the local authority has funded more places than the figure at the time of the census during 2013/14.

The government will reward local authorities who achieve high levels of take-up by moving to participation funding from 2015. This means funding for 2015-16 will be solely based on actual participation based on the count from the January 2015 Early Years census.

The government do not intend to allocate any trajectory funding in 2015-16, therefore if the January 2015 census number is lower than the expected target of 3,278, this will impact on future funding. In the event that the January 2015 census is lower than expected, any resulting underspend during 2014/15 may be used resourcefully to increase the 2015/16 budget for additional children's places.

As we move towards a system that funds on participation rather than the number of children

	<p>eligible, we need to ensure that we maximise the opportunity to increase the capacity of providers and encourage new providers into the market. There are currently a number of new early years developments being supported around the county and this extends to communicating with all childminders who have a Good or Outstanding Ofsted judgement. A significant piece of work is currently being planned within the Birth to Five Service to support the sufficiency duty.</p> <p>Please refer to Appendix A which provides more detail about the work being undertaken to support the take-up of the two year old offer.</p>																											
3	<p>Options/Conclusions</p> <p>BUDGET ALLOCATION</p> <p>Table 2 shows the overall funding allocation for Lincolnshire during 2014/15 based on the estimated number of eligible children:</p> <table><tr><th colspan="5">Table 2</th></tr><tr><th>Estimated eligible numbers (20%)</th><th>Estimated eligible numbers (40%)</th><th>Statutory Place Funding</th><th>Trajectory Allocation</th><th>TOTAL BUDGET 2014/15</th></tr><tr><td>1,701</td><td>3,278</td><td>£7,608,826.00</td><td>£937,249.00</td><td>£8,546,075.00</td></tr></table> <ul style="list-style-type: none">• Estimated eligible numbers (20%) includes funding for 1 term (190 hours) from April 2014 until the commencement of the extended entitlement in September 2014.• Estimated eligible numbers (40%) includes funding for 2 terms (380 hours) from the commencement of the extended entitlement in September 2014. <p>BUDGET PROPOSALS</p> <p>The place and trajectory funding forms part of the Dedicated Schools Budget, therefore spending must be compliant with the permitted expenditure as governed by the Finance Regulations. This funding can also be used for additional activities as identified by the local authority.</p> <p>Table 3 identifies the proposed expenditure and costs associated with activities to deliver the 2 year old offer effectively.</p> <table><tr><th colspan="3">Table 3</th></tr><tr><th colspan="2">PROPOSAL</th><th>COST</th></tr><tr><td>1</td><td>Funding for places: - 1,701 children x 15 hours x 12 weeks - 3,278 children x 15 hours x 26 weeks</td><td>£7,685,310</td></tr><tr><td>2</td><td>Additional places for 40% children during summer 2014 - 890 children x 15 hours x 12 weeks</td><td>£776,970 total £276,970 required from 14/15 trajectory Underspend from 2013/14 trajectory funding is requested to support these places – this is</td></tr></table>	Table 2					Estimated eligible numbers (20%)	Estimated eligible numbers (40%)	Statutory Place Funding	Trajectory Allocation	TOTAL BUDGET 2014/15	1,701	3,278	£7,608,826.00	£937,249.00	£8,546,075.00	Table 3			PROPOSAL		COST	1	Funding for places: - 1,701 children x 15 hours x 12 weeks - 3,278 children x 15 hours x 26 weeks	£7,685,310	2	Additional places for 40% children during summer 2014 - 890 children x 15 hours x 12 weeks	£776,970 total £276,970 required from 14/15 trajectory Underspend from 2013/14 trajectory funding is requested to support these places – this is
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		projected to be £500,000.
3	Staffing Represents 1% of the budget	£95,000
4	Outreach Support	£85,200 (PLA contract) £14,200 (CL contract)
5	Database systems maintenance and updates required for 40% criteria	£2,000
6	Inclusion Funding	£68,000
7	Marketing	£50,000
8	Capital contingency	£100,000
9	NCP and quality grants for year 2 profiled developments	£169,395
Total Cost		£8,546,075 (plus approx. £500K 2013/14 trajectory funding) £9,046,075
<p>1. Funding allocation for Lincolnshire is based upon 3278 places for 2 year olds by September 2014</p> <ul style="list-style-type: none"> • April 2014 - minimum of 1,701 places £1,484,973 • September 2014 – March 2015 - minimum of 3,278 £6,200,337 <p>2. Additional places for 40% families during summer 2014</p> <ul style="list-style-type: none"> • Lincolnshire has already committed to fund 40% families prior to September 2014 • Underspend from 2013/14 requested to support this additional cost • Additional funding required to support children to continue to access in summer 2014 <p>3. Staffing</p> <ul style="list-style-type: none"> • 1 x Lead Consultant • 2 x Support Officers • These posts are necessary to continue to administer the early years funding and lead the project. <p>4. Outreach Support</p> <ul style="list-style-type: none"> • This allocation will support the continuation of contracted work with the Participation and Engagement teams to encourage families to access the entitlement and increase participation. <p>5. Database maintenance and updates</p> <ul style="list-style-type: none"> • This administration system supports application and placements for children. • This emulates the SMMS database that is currently used by the Free Schools Meals team within the council. • This system links to the Eligibility Checking Service (ECS) provided by the DfE to verify family eligibility. • Maintenance costs are crucial for this system to be updated when the government revise the ECS in summer 2014 to include September 2014 criteria. 		

	<p>6. Inclusion Funding</p> <ul style="list-style-type: none"> • Analysis has been conducted from 2013/14 regarding the number of 2 year olds requiring inclusion support in settings. • These children are the most vulnerable in the county and therefore require additional support. <p>7. Marketing</p> <ul style="list-style-type: none"> • As part of the key performance indicator to ensure maximum take-up of the 2 year old entitlement, extensive marketing and outreach for families will be necessary. • These costs are associated with printing for materials to be disseminated. • Radio adverts, newspaper articles and further advertising costs are necessary to ensure the 2 year old offer is widely known by all potentially eligible families. <p>8. Contingency costs for capital developments</p> <ul style="list-style-type: none"> • As described within the DMT paper discussed on 04.02.14, this is necessary to support current capital developments in the event that G2 stage quotes differ from the existing proposals from Mouchel. • This will support any tenders required to maintain the sufficiency in the event of any setting closures. <p>9. NCP grants for year 2 profiled developments</p> <ul style="list-style-type: none"> • Committed Year 2 funding attached to existing projects to be supported and further grants to build provider capacity.
4	<p>Recommendations</p> <p>To secure the full budget allocations within the Government announcement to support the development and delivery of places for 2 year olds to access early education during 2014/15.</p> <p>Funding will be committed to support two year old children who meet the September 2014 criteria, to access their place from the summer term 2014.</p> <p>Budget proposals are agreed as the appropriate spend to ensure all 2 year olds access early education during as intended during 2014/15.</p>

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