

Agenda Item 5 – Two, Three and Four Year Old Free Nursery Entitlement

1. Background

The Childcare Act 2006 places a legal duty on Local Authorities to secure sufficient childcare for working parents - this includes a duty on English local authorities to secure nursery entitlement free of charge.

The current requirement is 570 hours per year of free nursery entitlement for eligible two year olds (approx. 40% of two year olds in the town) and all three and four year old children.

Children become eligible the term after their birthday and providers are paid either a fixed rate (for two year olds) or via a Single Funding Formula (for three and four year olds).

2. Funding for Two Year Olds

Funding for two year olds is made available to Local Authorities through the DSG in the form of a non ring fenced grant. The government calculates two year old funding using DWP and HMRC data to determine how many children are likely to be eligible. Currently this funding equates to £4.85 per hour per child. The entire grant is spent on children. It was agreed to ring fence two year old funding within DSG in the Schools Forum meeting held in January 2013. It should be noted that two year old funding will be participation led in 2015/16 and not a lump sum grant.

In 2014/15 £1,679,895 has been allocated for two year old entitlement with an estimated take up by 694 eligible children. Participation is currently 97% for the first phase. In addition we have 'trajectory funding' to facilitate the growth of the two year old market and £0.547m is available. This has been reserved for two year old places, to support those children that do not meet the criteria but would benefit from a place, capital works to create two year old environments, to promote the offer etc.

3. Funding for Three and Four Year Olds

Funding for three and four year olds is secured within an Early Years DSG Block. This was calculated by the DfE by dividing the total budgeted spend on early years provision in 2012/13 (this included nursery school, school nursery provision, PVI provision and the LA central spend) by the number of FTE nursery age pupils. The price per hour per child varies from provider to provider based on a Single Funding Formula.

In 2014/15 Hartlepool was allocated £2,994,503 of funding for an estimated 1,385 eligible three and four year old children. Participation is currently 90%.

Funding in the Early Years Block does not allow for further financial support that may be required for children with additional needs. According to DfE such funding should come from the High Needs Block.

4. Key issues

2 year olds

- The current rate for 2 year old entitlement of £4.85 has been in place since 2009/10 when Hartlepool secured pathfinder status. Providers have consistently said that this amount needs increasing to support 2 year old provision. There is adequate funding for two year old free nursery entitlement places if the funds continue to be ring fenced. The funding covers the current rate of £4.85 with some underspend due to children not always taking the full 570 hours across a year. Based on the estimated uptake of 2 year old places an additional 5p per hour would equate to an additional £20,000 cost within 2014/15. This can be covered within the 2 year old budget but would need to be reviewed annually. Therefore it is felt that an increase by 5p per hour is needed for providers and manageable within the current budget.

3 and 4 year olds

- The Early Years Block used for the three and four year old nursery entitlement (and its predecessor budget) has been 'overspent' consistently for the past 10 years. Any 'overspend' has historically been offset using DSG reserves. In 2013/14 the two year old grant was used to offset the overspend on the Early Years Block. There is therefore a need to review this block to ensure that there are no further overspends.
- It was previously discussed at Schools Forum meeting in June 2014 that there were concerns that the current early years block did not cover the amount and there was a need to review the amount in the Early Years block. Subsequently Seaton Nursery School closed in July 2014 which is creating savings of £92,000 within the Early Years Block this year and £136,000 in 2015/16. This funding will remain within the Early Years block and will reduce the overspend within the 3 and 4 year old funding. It is expected that this amount will be sufficient to cover the spend on 3 and 4 year olds nursery entitlement.

5. Recommendations

1. That two year old funding continues to be ring fenced to two year old provision.
2. That the rate of payment for two year olds is increased to £4.90 per hour which is an increase of 5p on the current rate from 2015/16.
3. That the Single Funding Formula remains with financial rewards available to providers that are good or outstanding and / or that offer flexible provision that meets parents needs.

4. The savings made from the closure of Seaton Nursery School will be used to offset any overspend within the Early Years Block.
5. That the Forum agrees to review the early years block in the Summer Term to determine whether further funding needs reallocating to the Early Years Block via the Schools Block.