

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**3 July 2012**

**Report of the Strategic Director for Children & Younger Adults**

**FREE NURSERY EDUCATION PROVISION FOR  
DISADVANTAGED TWO YEAR OLDS – (Young People)**

**1. Purpose of the Report**

To seek Cabinet approval to agree the hourly rate paid to the providers of nursery education for two year olds at £4.85 per hour.

**2. Information and Analysis**

In accordance with national requirements, Derbyshire Local Authority provides funding to Private, Voluntary and Independent (PVI) providers of nursery education to enable parents of all three and four year olds to receive up to 15 hours of free education and care per week. Parents are able to receive up to 570 hours of free education and care per year.

The funding for the free provision for three and four year olds, provided to the Local Authority by the Government, is allocated to settings in accordance with the approved Derbyshire Early Years Single Funding Formula. The formula allocates providers £3.70 per hour for all children. Children who meet deprivation criteria attract additional funding of £0.65 per hour for settings.

The funding arrangements for PVI providers of nursery education are therefore broadly similar to those for children in schools – where the pupil premium is used to allocate additional funding to schools to support the learning of disadvantaged children.

In late autumn 2011 the Government announced that it will enable some families of two year olds to receive free education and care by funding up to 15 hours should they wish to receive it. The Government plans to target the offer to ‘disadvantaged’ families. They aim to make the offer available to families of 20% of all two year olds from September 2013 and up to 40% of families from September 2014.

The funding for two year olds currently forms part of the Early Intervention Grant but will become part of the Dedicated Schools Grant from 2013-14.

The Children and Younger Adults Department (CAYA) recognises that the attainment of children from disadvantaged backgrounds falls behind that of those from more affluent ones.

There is also evidence that the attainment in early years of Children in Care in Derbyshire is still significantly less than the average for the overall cohort.

CAYA has made a commitment to close the gap in progress and attainment between vulnerable groups and their peers on the basis that if children receive help at the earliest opportunity, then there is likely to be more impact, including the reduced reliance on more expensive and acute interventions. In order to achieve this we need to work with early years partners from the Voluntary, Community and Independent sector (VCI) who are very experienced in meeting the needs of children from a very young age.

As part of this commitment CAYA has allocated £1,687,200 to fund placements for two year olds during 2012-13, in preparation for the duty to provide for 20% of all two year olds from September 2013 and up to 40% from September 2014.

The current rate per hour for this provision is £3.70 - the rate paid for three year olds. The provision for two year olds is, however, subject to higher staff/child ratios than that for three year olds - 1:4 as opposed to 1:8. The ratio is legally set and monitored by OfSTED. This means that providers of nursery education for two year olds must appoint twice as many staff for this age group. Therefore the cost to deliver nursery education to two year olds is more expensive to provide. The proposed increase in the hourly rate will meet this additional cost.

The Authority has a duty to ensure sufficient nursery education provision for all three and four year olds and all eligible two year olds. If the rate does not meet the cost of delivery, many PVI providers will be unable to offer a place to two year olds.

The notional funding rate provided to the Local Authority by the Government is £4.85 per hour. All neighbouring local authorities pay £4.85 per hour for two year old provision.

Following discussions with Derbyshire PVI providers and consideration of rates in other local authorities, it is proposed that Derbyshire PVI settings are provided with an hourly rate of £4.85 for two year olds.

The County Council's Sufficiency Assessment Overview 2011 recognises that childcare has the potential to play a very significant role in economic regeneration. These proposals will open up further opportunities for employment in the childcare sector and provide additional support to help parents return to work. It will, therefore, be important to work closely with the Regeneration Team in the Chief Executive's Office to ensure full advantage is taken of the additional investment.

Anticipating future changes in demand will require effective monitoring of the local market and employment trends. Work will take place with training providers to ensure that the local workforce has the appropriate skills at all levels to respond to the new opportunities and are in the best possible position to compete for new jobs in this expanding market. A greater use of county council premises could also be considered as further support to assist with the County Council's drive to help people

into employment. It is proposed that progress reports be made to the Cabinet members for Young People and Regeneration as appropriate.

### **3. Financial Considerations**

The Government has recognised the importance of early intervention and has made considerable sums available nationally to support this as part of the Fairness Premium.

The Chancellor announced on 29 November 2011 that the Government will invest a further £380 million a year by 2014-15 to extend the offer to two year olds, to cover an extra 130,000 children. This in effect doubles the commitment announced at the Spending Review and will bring the total investment in free places for disadvantaged two year olds over the spending review period to:

2012-13	£296m
2013-14	£534m
2014-15	£760m

A funding rate of £4.85 per hour is achievable within the amount approved by Council within CAYA's budget 2012-13 (£1.687m). However, from 2013-14 and beyond, the increased rate and increased number of two year olds receiving provision will have an impact on future years' costs. The cost of the rate in 2013-14 and beyond is as follows:

Year	No of Places	570 hours x £4.85 per hour x no of places	Increase on 2012-13 base budget (£1,687k)
2013-14	1,600 (20%)	£4,423,200	£2,736,200
2014-15 & beyond	3,200 (40%)	£8,846,400	£7,159,400

The government has announced that funding for two year places will become part of the Dedicated Schools Grant from 2013-14, however, no details are yet available. In future years, choices may have to be made between the number of children supported and the rate at which that support is made available, dependent on the size of the Dedicated Schools Grant and the pressures that are applying to it. This is true for all spending which is funded from this Grant.

### **4. Other Considerations**

In preparing this report the relevance of the following factors has been considered: Prevention of Crime & Disorder, Equality of Opportunity; and Environmental, Health, Legal & Human Rights, Human Resources, Property and Transport Considerations.

### **5. Background Papers**

None

## **6. Key Decision**

Yes

## **7. Strategic Director's Recommendations**

That Cabinet agrees:

- (i) to an hourly rate for the provision of nursery education for two year olds of £4.85 per hour from September 2012; and
- (ii) to consider the impact of the proposed rate as part of the 2013-14 and 2014-15 revenue budget processes; and
- (iii) to take the steps outlined in the report to seek the economic regeneration opportunities presented by the additional investment in childcare.

**Ian Thomas, Strategic Director for Children & Younger Adults**