

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	2 YEAR OLD CAPITAL FUNDING		
<b>DATE OF DECISION:</b>	19 MARCH 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR CHILDREN'S SERVICES AND LEARNING		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>			
Not applicable.			

### **BRIEF SUMMARY**

The Childcare Act 2006 and subsequent strategic guidance, requires local authorities to ensure there are sufficient funded Early Years places to meet the requirement of working parents of three and four year olds in their area. In addition this duty has been amended to include funding places for disadvantaged two year olds.

In Southampton this will require places for around 900 children in 2013 and a further 800 in 2014 at an estimated cost of £1,886,000. It is proposed that £525,000 of this cost will be supported from Dedicated Schools Grant with the remainder of £1,361,000 funded from Department for Education (DfE) Capital grant and transfers from within the overall Children's Services Capital Programme. This report sets out a proposed capital programme to meet the requirement to provide sufficient Early Years places for two, three and four-year-olds eligible for such provision.

### **RECOMMENDATIONS:**

- (i) To add, in accordance with Financial Procedure Rules, a sum of £711,000 to the Children's Services and Learning Capital Programme in 2013/14, funded from non-ring-fenced Department for Education (DfE) grant, for the Early Years Expansion Programme.
- (ii) To approve, in accordance with Financial Procedure Rules, capital variations totalling £650,000 to the programme approved by Council on 13 February 2013, as follows:
  - £500,000 transfer from Special School Estate scheme to the Early Years Expansion Programme; and
  - £150,000 transfer from Wordsworth Infants expansion project to the Early Years Expansion Programme.
- (iii) To note that approval to spend in relation to the capital additions and variations of recommendation (ii) and (iii) which total £1,361,000, will be sought from Cabinet when sufficient detail can be provided to effectively inform decision making.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The Childcare Act 2006 and subsequent statutory guidance have made it a requirement for local authorities to ensure that there are sufficient funded Early Years places to meet the requirements of working parents of three and four-year-olds in their area. The Government has recently amended this legal requirement, with the effect of extending it to cover places for disadvantaged two-year-olds, from September 2013 onwards.
2. The annual Early Years sufficiency analysis indicates that there are currently enough places to provide for three and four-year-olds within the City. However, the capacity within the system is currently being placed under pressure by the increase in birth rate over the last four years. As such, it is anticipated that in order to meet its statutory duties, the Council will have to expand provision in line with the increased numbers expected as a consequence of the extension of the free places offer to disadvantaged two-year-olds.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

3. In order to meet its statutory duty, the Council's only option to making direct provision itself is to work with Private, Voluntary and Independent (PVI) Sectors who currently provide over 85% of the pre-school places.
4. Direct provision by Children's Services is more expensive, requiring not only suitable premises to be identified but large numbers of qualified staff to be appointed.

## **DETAIL (Including consultation carried out)**

5. The Government has recently amended the legal requirement in respect of the provision of funded Early Years places, with the effect of extending this offer to disadvantaged two-year-olds. The roll out of this extended offer is in two phases:
  - From September 2013, local authorities will be required to provide places for the 20% most disadvantaged two-year-olds nationally. This equates to approximately 900 children in Southampton.
  - From September 2014, local authorities will be required to provide places for the 40% most disadvantaged two-year-olds nationally. This equates to approximately another 800 children in Southampton.
6. As the Early Years system is close to capacity (and bearing in mind the existing requirement to provide funded places for all three and four-year-olds) it is projected that the entirety of this extended provision will have to be met through expansion of the Early Years estate. As the statutory duty to provide places rests with the Council, it is its responsibility to ensure that the capacity of the system is sufficient to meet demand and the Government has part-funded Southampton City Council to this end.
7. An options appraisal has been undertaken and concluded that the most cost effective means of increasing the capacity of the estate is to expand existing provision and facilitate the market to create new provision, rather than create new local authority run provision.

8. A proposed capital programme has been developed, the full details of which are included as *Appendix 1*. The programme comprises 41 distinct projects that together will deliver the additional 1,700 places needed. The programme is on target to deliver 1,151 (68%) of these places without the need for Southampton City Council funding. However, in order to deliver the remaining 549 places, it is projected that £1,886,000 worth of funding will be required to fund expansions over 14 providers. Appendices 2 and 3 show the programme in the form of a map. *Appendix 2* shows progress against the programme to date; *Appendix 3* shows the full programme of *Appendix 1* as it maps out across the City.
9. This programme was developed following a detailed needs assessment to establish precisely in which areas of the City additional places are required. The results of this assessment were used to engage existing local and national providers in an exercise to ascertain options for expansion, which have been developed and refined into the proposals contained in *Appendix 1*. A key part of the planning process was the inclusion of the development of the programme as a standing agenda item at the *Early Years Lead Practitioners' Meeting* over the course of the last year. Attendance at these meetings is compulsory for all providers in receipt of nursery education funding and, as a consequence, this forum has provided a key means of engaging the market in expansion opportunities.
10. The proposals in *Appendix 1* are currently in outline form and are subject to feasibility studies being undertaken on them, as well as (in some cases) their being subject to a selection process to select a provider. As a consequence, the costs provided are high-level estimates. These costs will be refined through the feasibility and design process and, once a clearer and more definite picture of the overall cost is available, a further report will be brought to Cabinet to seek approval to spend against the allocated budget.

## RESOURCE IMPLICATIONS

### Capital/Revenue

11. It is projected that £1,886,000 worth of funding will be required to fund expansions over 14 projects.
12. The proposed funding is shown in the table below:

<b>Funding Source</b>	<b>Amount (£)</b>
DfE Early Education Grant for two-year-olds	547,000
DfE Basic Need Grant	164,000
Transfer from Special School Estate	500,000
Transfer from Wordsworth Infant Expansion	150,000
<b>Total Capital Funding</b>	<b>1,361,000</b>
Dedicated Schools Grant revenue funding	525,000
<b>Total Funding</b>	<b>1,886,000</b>

13. The Government has provided £547,000 for the first phase of the roll out of 2-year-old expansions (i.e. the 900 places required for September 2013) on the basis of there being an 80% uptake of places by eligible families. In addition, it is proposed that £164,000 of DfE Basic Need grant will be allocated to the project.
14. The £500,000 Special School Estate funding is no longer required because the project that this money was dedicated to was decided to be unworkable at the feasibility stage.
15. The £150,000 identified from the Wordsworth Infant Expansion had originally been allocated to the scheme with a view to creating a new lay-by at the site. However, this concept has been explored and deemed undesirable by Highways and, as such, this element of the project's funding is no longer required for that purpose.
16. It is proposed that the remaining £525,000 of funding will come from the Early Year block of the Dedicated Schools Grant. Under DfE regulations, the funding has to be allocated to the appropriate providers directly in order for them to pay for the expansions.
17. The Government has announced the following revenue funding allocations for two year olds that will be part of the Dedicated Schools Grant in 2013/14:
  - Statutory Place Funding – £2,061,000
  - Trajectory Building Allocation – £809,000

The revenue funding is based on the assumption of 80% uptake of places by eligible families.
18. The Schools Forum, as the decision making body for the trajectory funding element, has agreed that up to £525,000 of this can be used to help fund the expansion of two year old places with the reminder used to support a development team that will sit alongside the existing Early Years Team.

### **Property/Other**

19. There are no direct property implications for Southampton City Council to consider. Given the demand for places, Property Services will ensure that any vacant properties that have the potential to be redeveloped for Early Years provision are brought to the attention of the project team.

### **LEGAL IMPLICATIONS**

#### **Statutory power to undertake proposals in the report:**

20. S.1 of the Localism Act 2011 provides a general power of competence to do anything that an individual may do at law, providing that no other statutory restrictions exist that prohibit the action proposed. This includes power to assist Early Year providers (including financially or through provisions of goods, services or works) in undertaking Capital Improvement works for which central Government grants were received, where such assistance would contribute to the Council's functions as a Local Education Authority and the corresponding duties to secure sufficient and appropriate Early Years places under the Childcare Act 2006.

**Other Legal Implications:**

21. Not applicable.

**POLICY FRAMEWORK IMPLICATIONS**

22. This paper's proposed investment in Early Years places will contribute to the outcomes of the Children and Young People's Plan and the Health and Wellbeing Strategy by improving and extending the provision available across the City. The proposals will also contribute to the aims of the Economic Development Strategy, by providing the free childcare to a greater number of parents, which should facilitate their being able to take up employment.

**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
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**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Early Years Capital Report Indicative Programme for extended offer to 2 Year Olds
2.	Progress Update on the Capital Programme for the Extended Offer to 2-Year-Olds
3.	Development Plan for the Capital Programme for the Extended Offer to 2-Year-Olds

**Documents In Members' Rooms**

1.	None
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**Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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**Other Background Documents**

**Equality Impact Assessment and Other Background documents available for inspection at:**

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	None	
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