

## **Briefing Note**

### **Early Intervention Grant and Funding for the provision of the Free Nursery education entitlement for Vulnerable 2 Year Olds**

#### **1. Early Intervention Grant**

- 1.1 From April 2011, the Government established the “Early Intervention” core revenue grant which was formed by combining a number of previous specific grants (£27.3m), for example the Sure Start, Early Years and Childcare grant and also a number of funding streams previously included in the Area Based grant (£11.4m), for example Connexions. As per the table below, the value of the Early Intervention grant was £30.7m in 2011/12 which was £7.9m (21%) less than the sum of the previous grant & funding allocations.

	<b>£'000</b>
Original Grant Allocations - 2010/11	38,657
Reductions in 2010/11	<u>(5,082)</u>
	33,575
Reductions in 2011/12	<u>(2,864)</u>
2011/12 Early Intervention Grant	<u>30,711</u>

- 1.2 The EIG allocation for Leeds for 2012/13 is £32.747m. Whilst the grant is not ring-fenced, in line with the principles of the funding and linked to our 3 strategic obsessions and the ‘Turning the Curve’ programme around Looked after Children, the funding is allocated to support key preventative and early intervention services including Children’s Centres, services for disabled children and young people, intensive family support services, targeted and specialist information advice & guidance, etc. In 2012/13, the EIG also provides the funding for the provision of free childcare and early learning for vulnerable 2-year olds.

#### **2. Free Childcare and Early Learning for vulnerable 2-year Olds**

- 2.1 In November 2010, Government announced that the entitlement of 15 hours free nursery education would be gradually extended to disadvantaged 2-year olds. There was a commitment to fund this investment by increasing the national funding from £64m in 2011/12 to £380m per year from 2014/15. Leeds has piloted this work since 2006 providing personalised packages of support for disadvantaged 2-year olds and their families.
- 2.2 In 2012/13, the EIG allocation for Leeds was increased by £1.8m which in the main reflected the expansion of the ‘2-year old offer’. For Leeds, the indicative funding would have supported 983 places which was significantly higher than the 284 places supported in the previous year. Given the timescales needed to expand capacity across the Children’s Centres and PVI providers, the budget for 2012/13 supported around 600 places, with the balance of the funding

(around £1m) used to support other priority services. It was always recognised that this would be a temporary invest to save strategy for 2012/13 only and that the £1m would be needed for 2-year olds in 2013/14. The strategy was to continue to work with providers to develop capacity within the system to expand the number of places incrementally up to 1,700 places by 2014/15.

### **3. What's Changed?**

- 3.1 In the budget 2012, Central Government announced an expansion of the 2 year old programme so that by Sept 2013, local authorities would receive funding to support 20% of its vulnerable 2 year olds would receive this entitlement , and 40% by Sept 2014. Recently announced Government estimates for Leeds are 2,500 places by Sept 2013 and up to 5,000 places by Sept 2014. These are challenging targets.
- 3.2 Government have confirmed that funding will be via the Dedicated Schools Grant (DSG) which means that the funding will be ring-fenced for spending on education. Based on experience in 2012/13 and previous Government announcements, the assumption across all local authorities was that any transfer of funding from EIG to DSG would be cost neutral. Indeed, in the Autumn Statement in 2011, the Chancellor announced there would be extra funding for local authorities in recognition of the extra costs associated with the expansion.
- 3.3 From April 2013, the proposal is to split the EIG three ways – nationally, £1.76bn of funding will transfer into formula grant for local authorities , £150m will be retained centrally by Gov't for future use in funding early intervention and children's services, and £534m will be transferred into the ring-fenced Dedicated Schools Grant (DSG) to fund the expansion of early learning for 2-year olds. The £1.76bn to be transferred into Formula grant will reduce by a further 5% in 2014/15.
- 3.4 The EIG for Leeds is £32.7m. Of this, the indication is that only £23.9m will be transferred into the formula grant – a reduction of £8.8m. Based on national estimates, around £7m will be transferred into the DSG to fund the increased burden around 2-year olds. The impact for Leeds of the proposal to centrally retain the £150m nationally is around £2.1m.
- 3.5 The key issue is that Government is intending to effectively top-slice the existing EIG funding in order to fund the increasing burden around the expansion of early learning for 2-year olds. This is contrary to the Chancellor's announcement in the 2011 Autumn Statement.
- 3.6 The Government's intention to transfer the funding for 2-year olds into the ring-fenced DSG directly contradicts previous statements around allowing local authorities "greater flexibility to respond to local needs and drive reform and enable local authorities to target resources where they are needed most". The decision to retain centrally £150m nationally is also contrary to the previous announcements around local discretion and flexibility.

- 3.7 The net impact is that in 2013/14 there will be only £23.9m available to fund priority services which currently cost £31m.
- 3.8 All of the above is based in estimates pending the announcement of the settlement in December 2012. However, based on 2,500 places the potential DSG funding for the 2-year old offer would be £7m. This is significantly more than the current spend and current capacity within the market and we are therefore working to identify what flexibility there might be to charge other existing costs, for example Family Information Service, Outreach Workers, etc to the new 2-year old budget. By doing this, we would hope to reduce the immediate impact in 2013/14.

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