



NOTICE OF MEETING

CABINET MEMBER FOR EDUCATION

MONDAY, 13 FEBRUARY 2017 AT 4.00 PM

CONFERENCE ROOM A - SECOND FLOOR, CIVIC OFFICES

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If any member of the public wishing to attend the meeting has access requirements, please notify the contact named above.

CABINET MEMBER FOR EDUCATION

Councillor Neill Young (Conservative)

Group Spokespersons

Councillor Alicia Denny, UK Independence Party
Councillor Suzy Horton, Liberal Democrat
Labour Group spokesperson - vacant

(NB This Agenda should be retained for future reference with the minutes of this meeting.)

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Deputations by members of the public may be made on any item where a decision is going to be taken. The request should be made in writing to the contact officer (above) by 12 noon of the working day before the meeting, and must include the purpose of the deputation (for example, for or against the recommendations). Email requests are accepted.

AGENDA

- 1 **Apologies for absence**
- 2 **Declarations of Interest**
- 3 **Arundel Court Primary School - Priority School Building Programme Round 2 EFA project (Pages 5 - 18)**

Purpose of report

The purpose of the report is to set out the case for re-allocating capital funding for primary school expansion in order to fund capital works at Arundel Court Primary School as part of the Priority School Building Programme Round 2 (PSPB2).

The re-allocation of capital will enable the Council to secure an increase in the capacity of the school (to support its statutory duty of providing sufficient school places) and to replace temporary classrooms (to address suitability issues at the school) as part of the proposed rebuild which is being led and managed by the Education Funding Agency (EFA).

RECOMMENDED that the Cabinet Member:

- a) **Note and acknowledge the projects and their associated budget requirements within the current capital sufficiency programme for primary expansion, together with the £1.9m of funds available to be allocated, as shown at Appendix 3; and**
- b) **Approves the re-allocation of capital funding in order to:**
 - **meet the costs of the associated capital works to increase the capacity of the school from 2.5 Form Entry (FE) to a 3 FE (an increase of 105 places) at a cost of £1.07m; and**
 - **Replace the three temporary classrooms and ensure the new build accommodates the associated places at a cost of £528,000.**

4 Education Budget Monitoring Report for the Third Quarter 2016-17
(Pages 19 - 24)

Purpose

To inform the Cabinet Member for Education of the projected revenue cash limit expenditure within the portfolio cash limit and capital programme for the current financial year 2016-17. This report sets out the budget position and contributing factors to the projected underspend within the portfolio as at the end of December 2016.

RECOMMENDED

That the Cabinet Member notes the Education Portfolio forecast revenue and capital budget positions as at end of December 2016 together with the variance and pressure explanations.

5 Dedicated Schools Grant Budget Monitoring Report for the Third Quarter 2016-17 (Pages 25 - 30)

Purpose

To inform the Cabinet Member for Education of the projected revenue expenditure within the Dedicated Schools Grant (DSG) for the current financial year 2016-17 as at the end of December 2016.

RECOMMENDED

That the Cabinet Member notes the forecast year-end budget position for the Dedicated Schools Grant as at the end of 31st December 2016, together with the associated explanations contained within this report.

6 Early Years Funding Arrangements 2017-18 (Pages 31 - 58)

Purpose

The purpose of this report is to inform and seek approval from the Cabinet Member for the proposed funding arrangements for 2017-18 in respect of 2, 3 and 4 year olds, and to seek approval for the corresponding amendments to the 2017-18 Dedicated Schools Grant (DSG) Budget; to reflect the changes to the Early Years DSG funding allocation and related expenditure budgets.

RECOMMENDED that the Cabinet Member:

- a. Note the changes made by the Department for Education to the Early Years national funding formula, following the results of the national consultation which closed on 22 September 2016, as summarised within this report.**
- b. Note the results of the local consultation with early years providers as set out in Appendix 1.**
- c. Approve the proposed local early years funding formula for 3 and 4 year olds, as set out within this report.**
- d. Approve the proposed changes to the local 2 year old funding arrangements for 2017-18 as set out within the report.**
- e. Note the work being undertaken by the Early Years Team to ensure providers are aware of potential future levels of funding, and to help providers develop their service provision to enable them to mitigate the impact of any potential reductions in funding.**
- f. Approve the funding held centrally to support the determination of the eligibility of early years pupils for prescribed early years provision, early years pupil premium and free schools meals.**
- g. Approve the proposed changes to the Dedicated Schools Grant Budget for 2017-18 as set out in Appendix 3.**

7 2018-19 and 2019-20 Future School Funding Arrangements (Pages 59 - 88)

Purpose of report

To provide the Cabinet Member with an initial summary and impact assessment, of the proposals contained within the stage 2 'school national funding formula' consultation issued by the Department for Education (DfE) on the 14th December 2016.

RECOMMENDED that the Cabinet Member:

- a. Note the Department for Education's proposed changes to the school funding arrangements and the potential impact of these changes, as set out within this report; and in particular that:**

2018-19

- i. 2018-19 will be a transitional year. Funding to Local Authorities will be allocated on a national formula basis, but Local Authorities will continue to distribute funding to schools based on a local formula.**
- ii. The 'Schools Block' funding will be ring-fenced within the Dedicated Schools Grant (DSG).**
- iii. The creation of a new 'Central Schools Services Block' which will include the 'retained duties' element of the Education Services Grant (ESG).**
- iv. The introduction in 2018-19 of a formulaic method for distributing High Needs funding from central to local government.**
- v. The mechanism for allocating place funding to Resourced Units will be changing.**
- vi. The proposed flexibility for local authorities to transfer funds, from the funding schools are due to receive through the schools formula to their high needs budget**

2019-20

- vii. The implementation of a single National Funding Formula from 2019-20 (at a school level), with funding being passed directly by the Education Funding Agency.**
- b. Agree the proposed draft submission of the response to stage 2, of the Department for Education's consultation, as shown at Appendix 1; subject to finalisation of the responses indicated**

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Agenda Item 3

Agenda item:

Decision maker Cabinet Member for Education

Subject: Arundel Court Primary School - Priority School Building Programme Round 2

Date of decision: 13th February 2017

Report from: Mike Stoneman, Deputy Directory of Children's Services - Education

Report by: Caroline Corcoran, Head of Sufficiency, Participation and Resources

Wards affected: Charles Dickens

Key decision (over £250k): No

1. Purpose of report

- 1.1 The purpose of the report is to set out the case for re-allocating capital funding for primary school expansion in order to fund capital works at Arundel Court Primary School as part of the Priority School Building Programme Round 2 (PSPB2).
- 1.2 The re-allocation of capital will enable the Council to secure an increase in the capacity of the school (to support its statutory duty of providing sufficient school places) and to replace temporary classrooms (to address suitability issues at the school) as part of the proposed rebuild which is being led and managed by the Education Funding Agency (EFA).

2. Recommendation

2.1 It is recommended that the Cabinet Member:

- a) **Note and acknowledge the projects and their associated budget requirements within the current capital sufficiency programme for primary expansion, together with the £1.9m of funds available to be allocated, as shown at Appendix 3; and**
- b) **Approves the re-allocation of capital funding in order to:**
 - **meet the costs of the associated capital works to increase the capacity of the school from 2.5 Form Entry (FE) to a 3 FE (an increase of 105 places) at a cost of £1.07m; and**

- **Replace the three temporary classrooms and ensure the new build accommodates the associated places at a cost of £528,000.**

3. Arundel Court Primary School PSPB2: background

- 3.1 In 2015 the Council made a successful bid to the EFA under PSBP2 for the replacement of Arundel Court Primary School. The project is being led and managed by the EFA.
- 3.2 PSBP2 projects are based on a Block replacement programme of the worst condition school buildings. On this basis, the EFA has deemed that only part of the school buildings are to be replaced, as shown as Block A in [Appendix 1](#).
- 3.3 The project has been on hold pending clarification about timescales from the EFA. The Council had previously challenged the stated intention of the EFA to commence the feasibility study in 2018 with a completion date for the proposed new build of 2020/21. The EFA subsequently agreed to commence the feasibility study earlier, and this is now underway, with a view to an earlier completion date for the project.
- 3.4 Due to the continuing pressure on primary school places at the time the bid was submitted, the Council expressed an interest in expanding Arundel Court Primary School from a 2.5 FE to 3 FE school; an overall increase of 105 pupil places (from the current school capacity of 525 to a capacity of 630).
- 3.5 The EFA has confirmed that the cost to expand Arundel Court Primary School by 0.5FE is £1.07m. This figure is based on an additional 105 pupils and has been calculated as a percentage of the total cost of the project
- 3.6 A further consideration is the three temporary classrooms at the school. As the EFA project is based on a Block replacement only, the EFA has confirmed that the project will not include the replacement of these classrooms as part of the overall scheme. The cost to include these three classrooms as part of the new build would be an additional £528,000.
- 3.7 It should be noted that to maintain the current capacity of the school (2.5FE) the temporary classrooms would either need to be retained or included as part of the new build. If the temporary classrooms are replaced by a new build, they could be re-used in other projects, or utilised to provide "bulge" class capacity at other primary schools.
- 3.8 The replacement of the three classrooms is a suitability issue, and investing in these additional works would provide a consistency of accommodation across the schools site for all pupils.
- 3.9 It should be noted that there is a risk that the figures quoted for Arundel Court Primary School capital works by the EFA (£1.07m and £528,000 respectively) could change as a result of the EFA's tender process. If the

tenders came in at a higher level, the Council contribution would increase. Conversely, it is possible, although unlikely, that the figures may reduce. Any increase would be robustly challenged

3.10 Arundel Court Primary School is currently rated by Ofsted as a Good school. It is due to convert to academy status in spring 2017 and will form part of the University of Chichester Academy Trust (UCAT).

3.11 The provision of school places remains the responsibility of the Local Authority.

4. Pupil places and school capacity: background

Primary school places

4.1 [Appendix 2](#) provides a summary of the pupil place forecasts based on the 2016 annual pupil number capacity return to the EFA (excludes the Arundel Court Primary School expansion).

4.2 The Council has addressed the immediate pressure on primary school places by investing in a number of primary school expansions through two sufficiency programmes, which have provided an additional 1560 primary school places. This expansion will ensure that the Local Authority can meet its statutory duty to provide sufficient school places within a 2 mile radius of a resident's home.

4.3 Despite this increase in capacity, the surplus achieved will remain very small with a forecast of only 1% in Year R and Year 3 by 2020/21 and hot spot pressures in the south and north east of the City (refer to [Appendix 2](#)). It is therefore imperative that additional places are secured in order to ensure the council can meet its statutory duties.

4.4 An increase in capacity at Arundel Court Primary School would provide additional capacity for the city at a centrally located and successful school. The waiting list for a place in Year R is 19 children (as of 5th January 2017) illustrates the popularity of the school and the high demand for places in the local area.

Secondary school places

4.5 In the past, Portsmouth has had significant surplus places in the secondary phase. However, this will drop substantially as the unprecedented rise in primary school numbers move through the system into the secondary phase.

4.6 Secondary places capacity is already under pressure in some areas of the City, most notably in the North East of the City (in the Springfield School and Admiral Lord Nelson school catchment areas). The issue has been exacerbated by:

- The distance and logistical travel issues to other secondary schools within Portsmouth
 - The fact that neighbouring secondary schools in Hampshire are now less able to accommodate Portsmouth's pupils due to pressures on school places.
- 4.7 Of the 10 Portsmouth secondary schools, only two schools (King Richard School and Trafalgar School) have any significant surplus Year 7 places available.
- 4.8 In February 2016, the Council allocated £1.5m for phase 1 of the secondary sufficiency programme (short term projects) and £1.8m for Phase 2 (longer term projects). Officers have been progressing with the design and feasibility for a number of short term project and phased longer term projects.
- 4.9 The short term projects are funded from basic need allocations and identified within the capacity as shown in [Appendix 2](#). The funding for the longer term phased projects is subject to future allocations of basic need funding from the DfE and approval by Full Council.
- 4.10 [Appendix 2](#) shows that more secondary pupil places will be needed by September 2019 onwards. Therefore, without further expansion in capacity, there will be a deficit of secondary year 7 pupil places available across the city.

5. Capital programme: primary school places expansion

- 5.1 Within the education capital programme, there is currently a surplus of circa £1.9m from the Primary School Places Expansion Programme. [Appendix 3](#) provides a summary of projects undertaken.
- 5.2 A report was presented to the Cabinet Member for Children and Education on 17 September 2015. It was agreed that the following projects were approved in principle for a future re-allocation of sufficiency capital funding, subject to the provision of further information at a future decision meeting:
- Arundel Court Primary School – expansion from 2.5 FE to 3 FE (as part of the Priority School Building Programme Round 2)
 - Cliffdale Primary Academy – remodelling of the special school to take on more complex cohorts of children (the majority of whom will transfer to Redwood Park School)
 - Redwood Park School – remodelling of the special school to take on more complex cohorts of young people.
- 5.3 Feasibility work for the remodelling of Redwood Park and Cliffdale is now well underway and a capital bid has been submitted as part of the Council's annual capital budget process for additional capital funds to enable both projects to be finalised.

- 5.4 There was an initial allocation of £1.2m from the Council and £2m from the DSG carry-forward for the re-modelling of special schools. The total of £3.2m was allocated to Phase 1 works .

School	Phase 1 works (allocated)	Phase 2 works (capital bids under consideration)
Cliffdale Primary scheme	£2.0m	An additional £1.1m is required for Phase 2.
Redwood Park scheme	£1.2m	An additional £3.5m is required for Phase 2.
Total	£3.2m	£4.6m

- 5.5 With the continued pressure on secondary school places, the 2016/17 capital programme refresh also includes a bid of £4.47m for additional secondary places at The Portsmouth Academy in order to secure a permanent increase in capacity from 1000 to 1250 and a PAN increase from 200 to 250.
- 5.6 Therefore, against a surplus of £1.9m (as per para 3.1), the Council has urgent capital requirements of:

School	Funding required	Notes
Arundel Court	£1.07m	Expansion by 0.5 FE
Arundel Court	£0.53m	Replacement of 3 classrooms
Cliffdale Primary	£3.50m	Phase 2
Redwood Park	£1.10m	Phase 2
Portsmouth Academy	£4.47M	Secondary sufficiency
Total	£10.67m	

6. Reasons for recommendation

- 6.1 The Council has heavily invested in increasing primary place capacity and now has sufficient places, but with a very small surplus of 2-3% at Year R and Year 3 which is due to reduce further to just 1% by the end of the decade. There is an acute demand for places, especially in central Portsmouth, and the opportunity to add additional places at Arundel Court would enhance the capacity in this area. The replacement of the three classrooms would ensure consistent quality of accommodation for the pupils
- 6.2 In order to meet its statutory duty, the Council must increase secondary capacity, and projects (such as the The Portsmouth Academy capital bid) will be critical to the delivery of sufficient secondary places
- 6.3 Increasing numbers and complexity of special school pupils have required a fresh approach to special school provision, which will ensure that pupils do not require specialist provision outside of Portsmouth at a higher cost

7. Equality impact assessment

- 7.1 An equality impact assessment is not required as the recommendations do not have a negative impact on any of the protected characteristics as described in the Equality Act 2010. The proposal expands the availability of school places for all Portsmouth resident primary-aged children, which are allocated in accordance with the each school's admission policy and in line with the statutory Admissions Code.

8. Legal implications

- 8.1 As highlighted in the body of the report, the Council has a statutory duty under Section 14 of the Education Act 1996 to secure that sufficient schools for providing both primary and secondary education are available for its area.
- 8.2 In this context "sufficient" means sufficient in number, character and equipment to provide for all pupils the opportunity of appropriate education. "Appropriate education" means education *"which offers such variety of instruction and training as may be desirable in view of:*
- a) the pupils' different ages, abilities and aptitudes, and*
 - b) the different periods for which they may be expected to remain at school."*
- 8.3 The Council has a duty to exercise this schools sufficiency function *"with a view to:*
- a) securing diversity in the provision of schools, and*
 - b) increasing opportunities for parental choice."*
- 8.4 The Council's statutory schools sufficiency duty in relation to its area as a whole remains notwithstanding the conversion of a number of schools to become academies so that it is necessary for the Council work in cooperation with academy schools in the City as appropriate to ensure that the duty is fulfilled

9. Head of Finance comments

- 9.1 There is currently an unallocated sum of £1.9m within the approved capital schemes as identified in [Appendix 3](#), and it is proposed within this report to allocate £1.6m of this towards building additional capacity at Arundel Court Primary School.
- 9.2 As identified in the report, this estimated cost is derived from the EFA new build programme estimate. As the works are linked to that programme, the cost estimate will also be related and subject to change as the programme progresses through to completion. This may lead to an increased contribution being required to the DfE project. Any such variation will need to be managed within the capital programme allocations that will be approved by Council in February 2017.

Signed by: Alison Jeffery, Director of Children's Services

Appendices:

- 1. Arundel Court Primary School Site Plan
- 2. SCAP Pupil Number Forecast (excluding Arundel Court expansion)
- 3. Capital Programme: Primary School Expansion

Background list of documents: Section 100D of the Local Government Act 1972

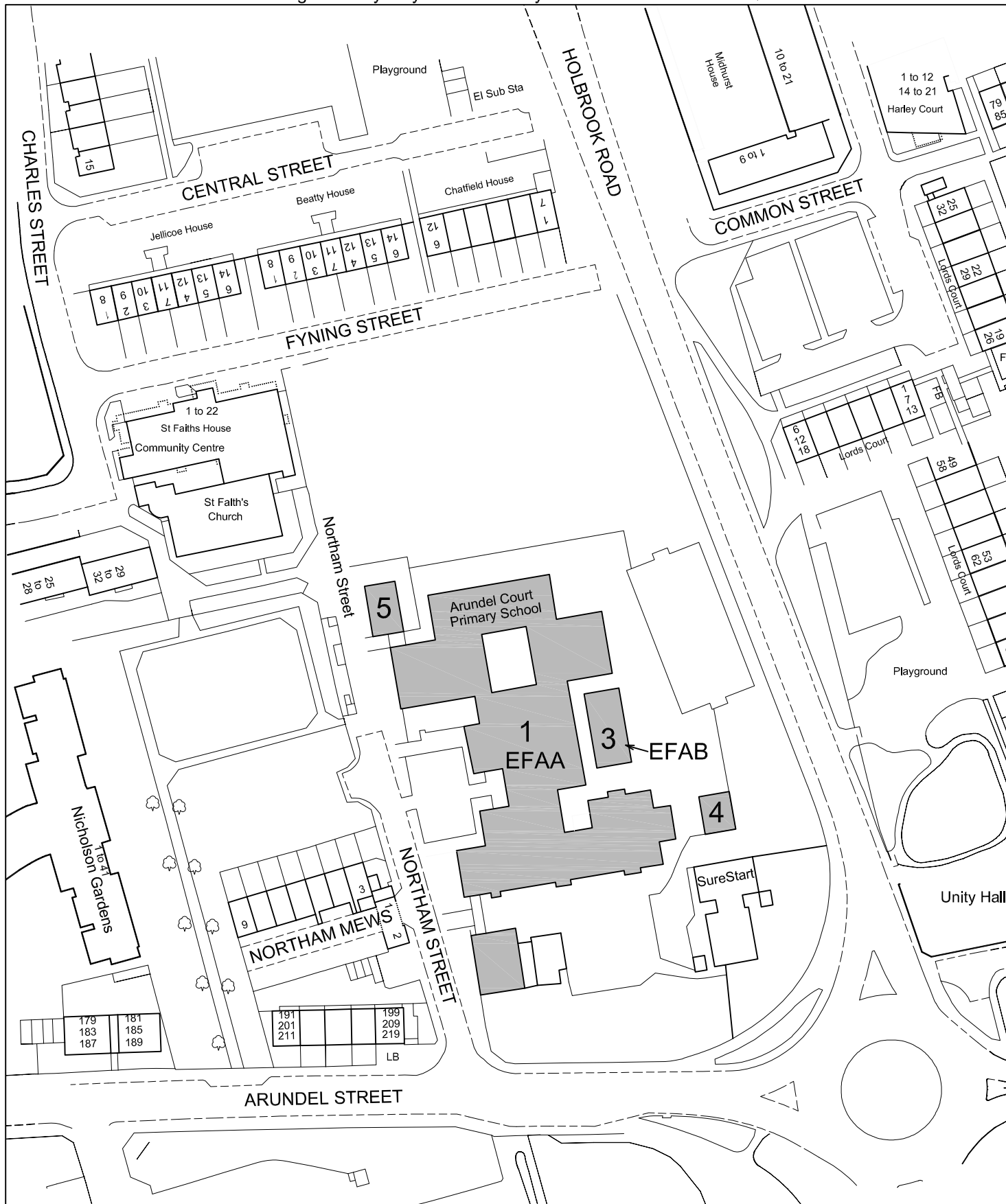
The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on


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Signed by:

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Project		ASSET MANAGEMENT SERVICE	
PSBP		 OWEN BUCKWEL Head of Service	
Drawing Title		ARCHITECTS GROUP	
Arundel Court		Tel No: 023 9283 4115 Fax No: 023 9283 4738	
Primary School		Design/Survey by	Drawn by
		N/A	HB
		Checked by	
		SW	
Date		Drawing No	
Jul 2014	Scale	PSBPR2-AC-SITEPLAN	
1:1250 @ A4		SURVEY	DESIGN
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SCAP 2016: Pupil forecasts for Years R, 3 and 7

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	Actual 2013/14	Actual 2014/15	Actual 2015/16	Estimate 2016/17	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
Year R									
Number on Roll (Actual and Forecast)	2353	2442	2366	2425	2432	2445	2452	2455	
Capacity (Admission Limit including proposed changes)	2385	2445	2475	2475	2480	2480	2480	2480	
Surplus / (Deficit)	32	3	109	50 (2%)	48 (1.9%)	35 (1.4%)	28 (1.1%)	25 (1%)	
Year 3									
Number on Roll (Actual and Forecast)	2053	2222	2273	2318	2362	2353	2412	2419	
Capacity (Admission Limit including proposed changes)	2228	2270	2355	2385	2445	2445	2445	2445	
Surplus / (Deficit)	175	48	82	67 (2.8%)	83 (3.3%)	92 (3.7%)	33 (1.3%)	26 (1%)	
Year 7									
Number on Roll (Actual and Forecast)	1630	1632	1759	1807	1861	1985	2072	2105	2151
Capacity (Admission Limit including proposed changes)	2020	2020	2010	1999	2053	2063	2063	2063	2063
Surplus / (Deficit)	390	388	251	192	192	78	(9)	(42)	(88)

- Sept 17 King Richard 1st year @ 200 (-16), Trafalgar (3); Miltoncross expansion (10); Springfield expansion (13), PAG expansion (25); St Edmunds expansion (19)
 - Sept 18 Miltoncross expansion (10)
 - Excludes Arundel Court Primary expansion

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Description of scheme	Status	Budget Requirement £'000
Mayfield/Westover, Temporary Accommodation and Secondary School Places Feasibility		
Mayfield School and Westover Primary Sufficiency Projects - overspend from Phase 1	Funds have been allocated to Phase 1 Sufficiency Programme	550
Temporary Accommodation	Funds have been allocated to cover temporary accommodation at: Harbour School @ Cosham; transfer of 2 single units from Westover to Goldsmith; and double temporary classroom at Langstone Junior	333
Secondary School Places Feasibility Study	Re-Format have been appointed to undertake the feasibility study which will be completed in March 2016. HPS will work up the designs following the feasibility study.	150
		1,033
Primary School Places Expansion Phase 2		
Expansion of Northern Parade Infant and Junior Schools from 3 to 4 Form Entry School and re-location of the nursery	Feasibility study completed, minor works completed in summer 2015 to ensure Year R and Year 3 additional cohorts for Sept 2015. Final phase of works to be completed before September 2017	3,466
Expansion of Craneswater Junior School from 3 to 4 Form Entry School	Feasibility study underway, minor works completed in summer 2015 to ensure Year 3 additional cohort for Sept 2015. Final phase of works to be completed before September 2017.	2,000
Expansion of Langstone Infant and Junior Schools from 3 to 4 Form Entry and reconfiguration of Year 3 accommodation to address suitability issues	Temporary accommodation installed at the Junior School to accommodate bulge year and provide places whilst Year 3 reconfiguration works are completed - rest of project on hold as pupil numbers in the local area are not demonstrating a need for a permanent expansion. Temporary accommodation will remain at the Infant and Junior School to give the option of future bulge years if required.	536
Trafalgar School (formerly City of Portsmouth Boys' School) - adaptations to support change to co-educational status	All works completed by October 2015 half term	532
Mayfield School Expansion	Sufficiency Phase 1 (MIS July 2015)	650
Expansion of Newbridge Junior School from 4 to 5 form of entry	Increase in PAN from September 2016, with works to be completed by March 2017	495
Moorings Way Infant School remodel and expansion from a PAN of 40 to 45	Start on site Easter 2017, completion due September 2017	592
Trafalgar School SEN Inclusion Centre	Works completed September 2016	98
King Richard School	Equipment for replacement school	125
King Richard School	Demolition of Nursery Block/refurbishment for Little Bounders Nursery	30
Mayfield School	Refurbishment and dining room adaptations	108
Westover Primary School	Land contamination remediation	59
Goldsmith and Brambles Nursery	Building and Landscaping works	36
St Georges Primary School, contribution to school project to expand PAN from 45 to 50	Works due to complete September 2017	35
		8,762
Total		9,795
Sufficiency Capital Funding Allocation		11,706
Funds Available To Allocate		(1,911)

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Decision maker:	Cabinet Member for Education
Subject:	Education Portfolio Budget Monitoring Report for the Third Quarter 2016/17
Date of decision:	13 February 2017
Report from:	Chris Ward, Director of Finance and Section 151 Officer
Report by:	Richard Webb, Finance Manager
Wards affected:	All
Key decision:	No
Budget & policy framework decision:	No

1. Purpose of report

- 1.1. To inform the Cabinet Member of the projected revenue cash limit expenditure within the portfolio cash limit and capital programme for the current financial year 2016-17. This report sets out the budget position and contributing factors to the projected underspend within the portfolio as at the end of December 2016.

2. Summary

- 2.1. The current forecast is for the total portfolio to underspend by £172,000 below the approved revenue cash limit. Expected pressures on school transport are more than offset by staffing savings from vacant posts and additional income. The capital programme is forecasting a small overspend of £2,300 on the approved capital budget.

3 Recommendations

- 3.1 It is recommended that the Cabinet Member notes the Education Portfolio forecast revenue and capital budget positions, at the end of December 2016 together with the variance and pressure explanations.

4 Summary Position against Cash Limited Budget at the end of June 2016

- 4.1 At the commencement of the financial year 2016-17 the Education Portfolio was created following the separation from Children's Social Care and Safeguarding.
- 4.2 Under the approved financial arrangements, overspends and underspends are carried forward by the portfolio into the following financial year, as portfolio's are now expected to manage their financial resources across financial years in order to encourage medium term operational and financial planning. However, for this portfolio any balances from prior years have been subsumed corporately to provide a zero balance starting point for the new portfolio.
- 4.3 At the end of the third quarter an underspend of £172k is currently forecast for the financial year as shown in the table below.

Service Area	Current Budget	Current Forecast	Variation
	£000	£000	£000
Senior Management	326	350	24
School Improvement	749	560	-189
Inclusion Support	3,988	4,187	199
Sufficiency, Participation & Support	1,076	871	-206
	6,140	5,968	-172

The forecast variances to budget are explained further below.

- 4.4 **Senior Management** (£24,000 overspend): the overspend is a consequence of agency usage and additional staffing costs.
- 4.5 **School Improvement** (£189,000 underspend): difficulties in recruitment, turnover of staff and the holding of some posts vacant, has meant staffing costs in this area are currently forecast at £285,000 below budget with other minor forecast savings of £21,000. Of this overall saving, it is currently anticipated that about £117,000 will be directed towards the new arrangements for external delivery of school improvement activities, which commenced in September.
- 4.6 **Inclusion Support** (£199,000 overspend): home to school transport provides perennial budget pressures and the current forecast is for an overspend in the region of £109,000. This projection has been amended since quarter 2 and reflects contracts and numbers for the current academic year. Further pressures result from a reduced income forecast of £45,000 for school attendance fines following the high profile case on the Isle of Wight and additional staffing costs, partially caused by the use of agency cover.
- 4.7 **Sufficiency, Participation and Support** (£206,000 underspend): staff vacancies and turnover, including the delayed appointment of the Head of Service, are resulting in a £163,000 underspend in this area, whilst unanticipated income from traded activity is also contributing to the underspend position.

5 Capital Programme

- 5.1 Attached at Appendix 1 is the capital budget monitoring position in respect of all schemes in the capital programme for Children and Education which was approved by Council on 9th February 2016. The current approved budget incorporates approved variations of £102,400 reflecting school capital contributions towards condition and modernisation works.
- 5.2 Overall the programme is currently forecasting a very slight variance of £2,300 overspend on the approved budget of £75.007m. Variations to scheme budgets will be incorporated in the capital programme for approval by Council in February.
- 5.3 Increased scheme costs arising from unanticipated requirements associated with specific building issues and conditions have been broadly accommodated by reductions in Sufficiency Programme Phase 2 plans, whilst in two instances reduced funding has been matched by a reduction in scheme costs.

6 Summary

- 6.1 The portfolio budget is currently forecast to underspend. Within this there is a significant overspend in Transport provision. However this has been more than offset by changes to the way education improvement support services are now provided and one-off in year savings against staffing budgets, due to vacancies and turnover, and an over recovery of income.
- 6.2 The capital programme is forecasting a very small overspend of £2,300.

7 Equality impact assessment (EIA)

- 7.1 No impact assessment has been carried out as the proposals do not have any impact upon a particular equalities group.

8 Legal comments

- 8.1 There are no legal implications arising directly from the recommendations in this report.

9 Director of Finance comments

- 9.1 Financial comments are contained within the body of the report.

.....
Chris Ward, Director of Finance and Section 151 Officer

Background list of documents: Section 100D of the Local Government Act 1972

The information upon which this report has been based has been drawn from a variety of sources; however much of the information used is held in budget files prepared by the Children and Education Finance Team. Please contact Richard Webb, Finance Manager, if required.

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Cabinet on

.....
Signed by: Cabinet Member



Children and Education Capital Budgets		Appendix 1			
Number	Scheme	Current Approved Budget	Actual spend to Sept 16	Manager Forecast Spend	Forecast Variance
		£	£	£	£
1	Primary Capital Programme	15,768,600	15,232,800	15,947,000	178,400
2	Victory School	10,209,500	10,197,900	10,214,300	4,800
3	Sufficiency Programme Phase One 2013- 2015	6,511,300	6,178,800	6,555,800	44,500
4	Sufficiency Programme Phase Two 2015- 2017	10,104,200	2,007,900	9,865,100	-239,100
5	Secondary School Feasibility Study	150,000	43,400	150,000	0
6	Temporary Accommodation	312,900	328,000	329,100	16,200
7	Vanguard Centre	2,500,000	475,300	2,500,000	0
8	King Richard School Rebuild 900-1000 places	1,985,500	1,354,200	1,685,500	-300,000
8	Loss of HRA funding for the sports part of this project			300,000	300,000
9	Portsmouth College Sufficiency Post 16	244,000	243,200	244,000	0
10	Schools Devolved Formula Capital 2010-17	9,875,400	9,261,800	9,875,400	0
11	Adaptations to Foster Carer Properties	195,000	85,700	195,000	0
12	Universal Infant Free School Meal Works	791,000	790,700	793,300	2,300
13	Universal Infant Free School Meal Provision	628,700	593,100	628,700	0
14	Salix	108,300	71,000	71,100	-37,200
14	Salix loan for redwood School no longer being pursued			37,200	37,200
15	St Edmunds SI Provision	537,000	478,300	488,200	-48,800
16	Access SEN Pupils	277,400	248,000	278,000	600
17	ALN Lift Repairs	42,200	41,100	42,200	0
18	Mayfield East Field	800	2,800	800	0
19	Schools Conditions Projects - Modernisation 2015-16	1,463,200	1,232,900	1,500,200	37,000
20	School Condition Projects 2014-2016	2,970,500	2,727,200	2,988,200	17,700
21	King Richard - Contingency re Condition Issues	219,800	219,800	219,800	0
22	Electrical Distribution Boards - Various Schools	90,900	90,900	90,900	0
23	Cliffdale - Boilers/Heating System	340,500	340,500	340,500	0
24	Fluorescent Light	235,800	235,800	235,800	0
25	King Richard Legionella Control	172,700	172,700	172,700	0
26	City Boys Legionella Control	36,400	36,400	36,400	0
27	City Boys ASC Provision	7,500	7,500	7,500	0
28	Wimborne Junior Boilers & Heating System	377,700	377,700	377,700	0
29	Paulsgrove Primary Structural Repairs	43,100	43,100	43,100	0
30	Meon Junior Emergency Lighting	46,100	46,100	46,100	0
31	City Boys Concrete Panel Replacement	343,600	343,600	343,600	0
32	Court Lane Junior Legionella Works	191,600	191,600	191,600	0
33	Gatcombe Park Primary Window Replacement	35,600	35,600	35,600	0
34	Highbury Primary Replacement Boiler & Heating (Design Only)	11,200	11,200	11,200	0
35	Arundel Court Federation Legionella	1,800	1,800	1,800	0
36	Cottage Grove Flat Roof Replacement	81,200	81,200	81,200	0
37	Cumberland Infant Installation of Emergency Lighting	45,400	45,400	45,400	0
38	Langstone Infant Asbestos in Boiler Room	2,400	2,400	2,400	0
39	Moorings Way Replace Electrical Distribution Boards	33,600	33,600	33,600	0
40	Arundel Court Foyer	80,500	80,500	80,500	0
41	Meredith Annexe (Urgent H&S)	6,100	6,100	6,100	0
42	Newbridge School Servery (Urgent H&S)	25,200	25,200	25,200	0
43	Harbour @ Fratton Condition Works	7,900	7,900	7,900	0
44	City Boys Science Block Roof Replacement	110,800	110,800	110,800	0
45	Moorings Way Replace Flat Roofs	54,800	54,800	54,800	0
46	Manor Infant Classroom remodel	15,000	15,000	15,000	0
47	Mayfield School Kitchen Feasibility Study	5,000	5,000	5,000	0
48	Harbour School Relocation Feasibility Study	10,000	10,000	10,000	0
49	Southsea Infant Boiler Replacement	25,700	25,700	25,700	0
50	Newbridge Junior Clinic Roof	8,100	8,100	8,100	0
51	Stamshaw Junior Fencing and Security Improvements	26,300	26,300	26,300	0
52	Portsdown Primary Emergency Lighting	35,800	39,600	39,600	3,800



Number	Scheme	Current Approved Budget	Actual spend to Sept 16	Manager Forecast Spend	Forecast Variance
53	Meredith Infant Boiler Controls	17,400	17,400	17,400	0
54	Redwood Park Water Main Replacement	33,400	33,400	33,400	0
55	College Park Boiler Controls	7,800	7,800	7,800	0
56	Westover School Water Ingress	11,300	11,300	11,300	0
57	School Conditions Project 2016/17	1,033,500	501,200	1,018,400	-15,100
58	Secondary School Places Expansion Phase (1)	1,500,000	7,700	1,500,000	0
59	Secondary School Places Expansion (2)	1,800,000	0	1,800,000	0
60	Special Education Needs - Building Alterations	3,200,000	24,300	3,200,000	0
	TOTALS	75,007,000	54,929,100	75,009,300	2,300



Decision maker:	Cabinet Member for Education
Subject:	Dedicated Schools Grant Budget Monitoring Report for the Third Quarter 2016/17
Date of decision:	13 February 2017
Report from:	Chris Ward, Director of Finance and IS
Report by:	Richard Webb, Finance Manager
Wards affected:	All
Key decision:	No
Budget & policy framework decision:	No

1 Purpose of report

- 1.1 To inform the Cabinet Member for Education of the projected revenue expenditure within the Dedicated Schools Grant (DSG) for the current financial year 2016-17 as at the end of December 2016.

2 Background

- 2.1 The DSG is a ring-fenced grant for Education and can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance (England) Regulations.
- 2.2 The original DSG budget for the financial year 2016-17, was approved by the Cabinet Member for Children and Education and endorsed by Schools Forum in January 2016. The budget was subsequently revised and agreed by the Cabinet Member for Education on the 30th June 2016. This report provides the Cabinet Member for Education with a forecast estimate of the year-end outturn based on the position as at 31st December 2016.



3 Recommendations

3.1 It is recommended that the Cabinet Member notes the forecast year-end budget position for the Dedicated Schools Grant as at the end 31st December 2016, together with the associated explanations contained within this report.

4 Dedicated Schools Grant forecast position as at the end of December 2016

4.1 Table 1 below sets out the forecast year-end financial position of the DSG budget as at 31st December 2016.

Table 1

DEDICATED SCHOOLS GRANT	<i>Original Estimate 2016/17 £000's</i>	<i>Revised Estimate 2016/17 £000's</i>	<i>Projected Outturn £'000's</i>	<i>Projected over/ (under) spend £'000's</i>
DSG : Devolved				
Primary ISB	46,665	43,810	43,810	0
Secondary ISB	19,141	19,141	19,141	0
Special school place funding	2,837	2,901	2,914	13
Resource unit place funding	635	635	635	0
Alternative provision place funding	1,530	1,297	1,297	0
Total Devolved DSG	70,808	67,784	67,797	13
DSG : Retained				
De-Delegated Budgets, Growth Fund and centrally retained	1,285	1,339	1,188	(151)
Early Years	10,979	11,274	11,293	19
High Needs	10,447	10,616	10,739	123
Total Expenditure	93,519	91,013	91,017	4
DSG and other Specific Grants	(93,210)	(90,663)	(90,884)	(221)
DSG Brought Forward	(309)	(5,048)	(5,048)	0
DSG Carried Forward	0	4,698	4,915	217
Total Income DSG	(93,519)	(91,013)	(91,017)	(4)
TOTAL Dedicated Schools Grant	0	0	0	0

The figures in the above table are subject to rounding to the nearest £1,000 and may not calculate exactly

Academy conversions

- 4.2 There have been no academy conversions during the period 1st September to 31st December 2016 and therefore there has been no impact on the DSG budget. Redwood Park Special School is due to convert on the 1st February 2017, and the necessary budget adjustments related to the conversion will be reflected during quarter 4.

De-delegated and growth fund

- 4.3 The underspend in this area of the budget relates to the remaining balance on the growth fund after allocations to schools as reported in the quarter 1 monitoring report, together with the recouplement adjustments relating to schools converting to Academy status.

Early Years

- 4.4 The budget for 3&4 year olds in Private, Voluntary and Independent settings has been increased to reflect the in-year increased funding allocation from the Department for Education (DfE) following the January 2016 census; as approved in December 2016.
- 4.5 Although the number of full time equivalent (FTE) children being supported by the budget is slightly less than the same time last year, 413 as opposed to 478; we are still expecting the numbers of children to increase in the spring term which will result in a slight overspend for the financial year.

High Needs

- 4.6 The class lists for the September 2016 cohort in the City's special schools have now been checked and agreed with the SEND (Special Educational Needs and Disabilities) Team. The lists have been used to forecast the expected cost of the Element 3 top up funding for the remainder of the financial year, final adjustments will be posted during quarter 4 and as part of the year-end process. Currently it is anticipated that the year-end outturn will show an under spend in the region of £550,000. The forecast underspend is due to 25 pupils attending Portsmouth special schools being placed by other local authorities for whom any top up funding is paid by the commissioning local authority. This underspend has been offset and exceeded by the financial pressures detailed below.

Pupils with SEND in mainstream schools

- 4.7 As reported in the January budget report, during 2016-17 the number of requests for Education, Health and Care Plan assessments from mainstream schools has doubled (from 130 to 260) when compared to 2015-16. Most requests are agreed, indicating that there is sufficient evidence to justify an assessment. In addition, the average cost per pupil has increased indicating that there is an increased complexity of need.

- 4.8 This increase in finalised EHC Plans, has led to an increase in the Element 3 funding being paid to mainstream schools to support children with high needs where the cost of additional support exceeds the £6,000 which is expected to be met by the school. The number of pupils with an EHC Plan in mainstream schools (not including inclusion centres) has increased by 60 from 246 to 306.
- 4.9 For 2016-17, the current level of funding being provided to mainstream schools is anticipated to exceed the budget by £240,000.

Out of City Placements

- 4.10 The forecast overspend on the budget for children in Out of City placements has been increased by £60,000 to £330,000. This is due to the average cost of placements being higher than in previous years, £48,000 in 2016-17 compared to £43,328 in 2015-16. The number of children and young people placed out of the city remains relatively low. The forecast also includes the estimated cost for four children placed by the Child and Adolescent Mental Health Service (CAMHS) being supported from this budget, the current cost of these children is estimated to be £114,400.

Post -16

- 4.11 In September 2014, the Children and Families Act introduced further responsibilities on the Council for children in post 16 education. The act extended the age range from post 16 to include those children in education from 19 to 25 without providing specific funding. The effect of the policy change has led to an increase in the numbers of children remaining in further education beyond 18 and the overspend is expected to be in the region of £167,000 this financial year. For 2018-19 expenditure on these placements is expected to continue to increase significantly as reported in January.
- 4.12 The overall forecast position as at the end of Quarter 3 shows a net overspend of £123,000 in the high needs block and does not include the additional funding allocation to Redwood Park School, which will be processed during quarter 4.

DSG and other Specific Grants

- 4.13 The variance in the DSG grant allocation relates to an adjustment for the 2015-16 financial year for children accessing early education. The funding is based on the spring census which is finalised in the following July.

Brought forward / Carry forward

- 4.14 Of the £5.048m brought forward, the Authority has received approval to transfer up to £2m to the capital programme. The funding will be used to remodel two special schools in Portsmouth to enable them to admit pupils with more complex needs. The contribution to the capital programme will be transferred during the fourth quarter. The balance to carry-forward into 2017-18 will not be known until the financial year has closed, but at this stage it is estimated to be in the region of £2.2m

5 Equality impact assessment (EIA)

5.1 No impact assessment has been carried out as the proposals do not have any impact upon a particular equalities group.

6 Legal comments

6.1 There are no legal implications arising directly from the recommendations in this report.

7 Director of Finance comments

7.1 Financial comments are contained within the body of the report.

.....
Chris Ward, Director of Finance & IS

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
DSG Budget Monitoring	Education Finance Team
School & Early Years Finance (England) Regulations 2015	www.legislation.gov.uk

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

.....
Signed by:

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Title of meeting:	Cabinet Member for Education
Date of meeting:	13 February 2017
Subject:	Early Years Funding Arrangements 2017-18
Report from:	Alison Jeffery, Director of Children's Services
Report by:	Richard Webb, Finance Manager
Wards affected:	All Wards
Key decision:	No
Full Council decision:	No

1. Purpose of report

The purpose of this report is to inform and seek approval from the Cabinet Member for the proposed funding arrangements for 2017-18 in respect of 2, 3 and 4 year olds, and to seek approval for the corresponding amendments to the 2017-18 Dedicated Schools Grant (DSG) Budget; to reflect the changes to the Early Years DSG funding allocation and related expenditure budgets.

2. Recommendations

It is recommended that the Cabinet Member:

- a. **Note the changes made by the Department for Education to the Early Years national funding formula, following the results of the national consultation which closed on 22 September 2016, as summarised within this report.**
- b. **Note the results of the local consultation with early years providers as set out in Appendix 1.**
- c. **Approve the proposed local early years funding formula for 3 and 4 year olds, as set out within this report.**
- d. **Approve the proposed changes to the local 2 year old funding arrangements for 2017-18 as set out within the report.**
- e. **Note the work being undertaken by the Early Years Team to ensure providers are aware of potential future levels of funding, and to help**

providers develop their service provision to enable them to mitigate the impact of any potential reductions in funding.

- f. Approve the funding held centrally to support the determination of the eligibility of early years pupils for prescribed early years provision, early years pupil premium and free schools meals.**
- g. Approve the proposed changes to the Dedicated Schools Grant Budget for 2017-18 as set out in Appendix 3.**

3. Background

- 3.1. On the 11th August 2016, the Department for Education (DfE) published a national consultation¹ seeking views on the proposals to change the way in which both local authorities and childcare providers are funded from April 2017 onwards. The consultation closed on the 22nd September 2016.
- 3.2. A report was presented in October 2016 to both Cabinet Member and Schools Forum, with an initial summary and impact assessment for both the City Council and providers, together with details of both the Council and Schools Forum responses to the consultation.
- 3.3. At the January 2017 Cabinet Member and Schools Forum meetings, it was reported that on the 1 December 2016 the DfE published the "Early Years national funding formula - operational guide", together with the government's response to the consultation and that a further report would be brought back to the Cabinet Member and Schools Forum in February 2017; to set out the local proposed funding arrangements for 2017-18 and the corresponding revisions to the 2017-18 DSG budget.
- 3.4. This report therefore seeks to update the Cabinet Member on:
 - the proposed changes to the local 3 and 4 year old funding formula for 2017-18;
 - the arrangements regarding the disability access fund;
 - the SEN inclusion fund; and
 - the local 2 year old funding arrangements for 2017-18 all of which reflect the government's final proposed arrangements.

4. Central Government Funding to Local Government

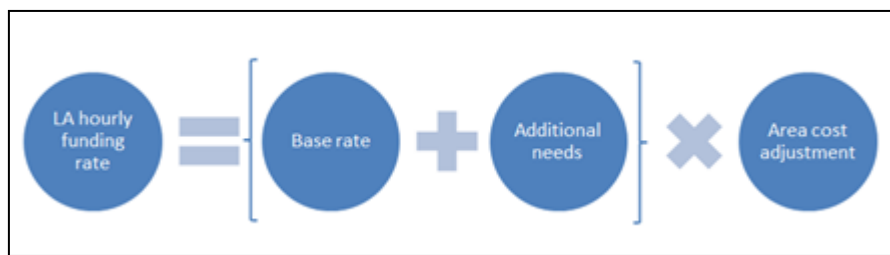
- 4.1. The government's proposals seek to ensure that the distribution of the proposed additional investment in childcare is allocated in a fair, simple, transparent and evidence based way; in order to ensure that local

¹ https://consult.education.gov.uk/early-years-funding/eynff?utm_source=EFA%20e-bulletin&utm_medium=email&utm_campaign=e-bulletin&mxmroi=2305-8620-56843-0

authorities can pay their local childcare providers a sustainable rate of funding and attract new providers into the market.

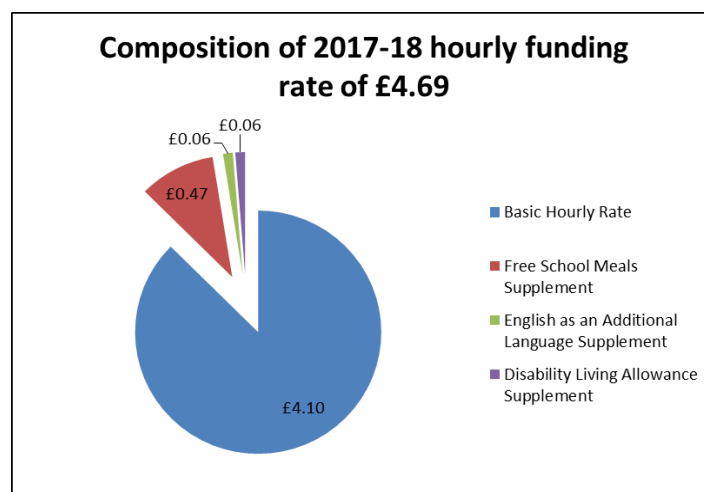
4.2. The DfE have confirmed that from April 2017 they will be implementing an early year's national funding formula to allocate the funding from central government to local authorities. The same formula and hourly rate of funding will apply to both the existing 15 hour entitlement for all 3 and 4 year olds as well as to the new additional 15 hours for children of working parents. Funding will be passed to local authorities using the following three factors:

- A universal base rate of funding for each child
- An additional needs factor
- An area cost adjustment



4.3. Further details regarding the above factors can be found in the October 2016 report and the governments operational guidance²

4.4. The consultation provided an indicative hourly funding rate for Portsmouth of £4.69 for each part time equivalent pupil. We have now received confirmation that the 2017-18 allocation of funding will be £4.69 per hour for both the universal entitlement and the additional 15 hours. The illustration below shows the breakdown of the hourly funding rate for 2017-18, as allocated by the DfE.



² <https://www.gov.uk/government/publications/early-years-national-funding-formula-allocations-and-guidance>

- 4.5. With funding at the rate of £4.69 per hour (which includes the area cost adjustment), Portsmouth will see new funding allocation of £9,164,000 for the universal 15 hour free entitlement which would be an increase of £578,000 (6.8%) on 2016-17.
- 4.6. The DfE have also provided additional funding on the same basis as above, for the additional 15 hours of childcare for children of working parents from September 2017. The initial allocation for the period September 2017 to March 2018 equates to £1,532,000. This funding allocation is based on an estimated number of hours of 326,652 (573.1 PTE³).
- 4.7. Both allocations are funded on a participation basis, which is initially based on the January 2016 school and early years census. As in previous years the universal allocation will be adjusted for both the January 2017 and January 2018 census, whilst the allocation for the additional 15 hours for working parents will be adjusted in 2018-19 for the January 2018 school and early years census.
- 4.8. Therefore if the actual participation of the new 15 hours for working parents is lower than the initial allocation, then funding will clawed back by the DfE.
- 4.9. The sections below, explain the proposed changes to the local Portsmouth 2017-18 single funding formula to early years providers, as well as proposed future funding requirements, constraints and expectations for the use of this funding.

5. 2017-18 local funding formula for 3 and 4 year olds.

- 5.1. Following the publication by the DfE of the consultation in September 2016, the Early Support Service carried out an initial consultation with providers to obtain early indication of their preferences to the following proposals:
 - The retention of a base rate which is the same for all types of provider. Which is expected to increase in line with any funding increase provided by the Government to Portsmouth
 - Retain a deprivation rate but consult on the measure used
 - Propose adding the funding that will be released by the Governments proposal to cease the 'workforce development' supplement and adding this funding to the universal base rate.

³ PTE - Part Time Equivalent 7/12 of the estimated annual hours that will be taken up by eligible parents from 1 September 2017.

- 5.2. Details of the consultation and a summary of the responses from providers can be found in Appendix 1
- 5.3. The results of the initial consultation have helped to inform the proposed 2017-18 local funding formula outlined within this report.
- 5.4. Following the confirmation in December, of the allocation for 2017-18 and the publication of the Early Years national funding formula operational guide by the Education Funding Agency and in line with the School and Early Years Finance (England) regulations, the local authority has provided illustrative funding information to early years providers. This information was intended to help providers to understand how their funding allocation will change with the new arrangements and to invite further comment on the proposals. Any further feedback from providers will be tabled at the meeting.
- 5.5. In setting the local 3 and 4 year old funding formula to providers for 2017-18, it is proposed that the £4.69 per hour funding provided by the DfE will be allocated as set out in the table below. Further information about these proposed allocations is set out in the paragraphs below.

2017-18 allocation of the funded hourly rate - 3 and 4 year olds		
	£	%
Basic hourly rate per pupil	4.09	87.21%
Deprivation average hourly rate	0.20	4.26%
SEN Inclusion fund	0.04	0.85%
Growth fund	0.13	2.77%
Total funding passed to settings	4.46	95.10%
Centrally retained	0.23	4.90%
Total	4.69	100.00%

Pass-Through Rates

- 5.6. To ensure that the proposed additional investment from the government reaches the early years providers, the DfE has confirmed the introduction of a high minimum percentage of early years funding that a local authority must pass through to providers (high pass-through).
- 5.7. The high pass-through rate has been set at 95%. However, in order to allow authorities to transition, the rate for 2017-18 will be 93%, rising to 95% in 2018-19. In order to recognise the financial pressure on providers, Portsmouth will be moving to the pass-through rate of 95% from 2017-18 to maximise the funding going directly to providers.
- 5.8. The high pass through rate includes all funding passed directly to providers (i.e. the base rate and supplements, as well funding for special

educational needs, etc.). Appendix 2 shows how Portsmouth complies with the high pass through rate requirement.

Single Universal Base Rate

- 5.9. It is confirmed that all local authorities are required to set a universal base rate in their local single funding formula, which is the same for all providers. Portsmouth is already paying the same base rate to all providers and will continue to do so.
- 5.10. Portsmouth is proposing a basic hourly funding rate to providers from the April 2017 of £4.09 per hour. This is an increase of 32 pence per hour (or 8.4%) on the current rate of £3.77.

Growth Fund

- 5.11. The DfE have confirmed that it is reasonable for local authorities to hold contingency funds for in-year demographic growth and that this should be counted within the high pass-through rate, because the money is eventually shared with providers. However, it is expected that this will be kept to a minimum in order to maximise the hourly rate to providers.
- 5.12. A review of the number of pupils receiving funding for 15 hours free universal child care has shown annual increase of approximately 100 pupils (or 2%) per annum. Therefore Portsmouth is proposing to establish a growth contingency fund to cover potential demographic growth of 100 pupils over the course of 2017-18. In order to set aside sufficient funds to meet this anticipated growth, it will be necessary to retain 13 pence per funded hour.

Funding Supplements & Incentives

- 5.13. The EFA have confirmed that local authorities are permitted to pay supplements in addition to the base rate. Local authorities must include a deprivation factor, but the use of other discretionary supplements is permitted.
- 5.14. The supplements that can be used within a local authorities early years single funding formula have been restricted to:
- Deprivation (mandatory)
 - Rurality/Sparsity
 - Flexibility - to support providers to offer flexible childcare
 - Quality - support system leadership
 - English as a second language
- 5.15. The total value of all supplements must not exceed 10% of the funding formula.

- 5.16. As highlighted in the October 2016 report we are proposing to use only the deprivation factor.
- 5.17. The consultation held with providers last Autumn sought their views on not having any further supplements beyond the mandatory deprivation factor. Of those providers who responded 80% supported this proposal.

Deprivation

- 5.18. This remains a mandatory supplement. Whilst there are no restrictions on which deprivation factor authorities can use to recognise deprivation in their area, they must ensure that the total value of all supplements used does not exceed the 10% cap.
- 5.19. As explained in the October 2016 report Portsmouth City Council currently uses the 'The Income Deprivation Affecting Children Index' (IDACI) which is linked to pupils and reflects the level of deprivation of those pupils attending an early years setting.
- 5.20. The initial consultation in the autumn term sought the views of providers on switching to a neighbourhood based method of calculating deprivation, based on the location of the childcare setting. Feedback from the consultation indicated that 90% of providers who responded, supported continuing with the current method for allocating deprivation funding to providers.
- 5.21. Our initial financial modelling of the potential impact of using the neighbourhood deprivation index, supported the view of providers, as the results showed a considerable amount of turbulence in funding for individual providers.
- 5.22. As a result of the financial modelling, together with the feedback from providers, the Council is proposing to continue to use the current deprivation indices based on pupil IDACI.
- 5.23. It is proposed to maintain the deprivation rates at the same values as 2016-17, to enable the authority to maximise the amount paid through the basic hourly rate. The table below sets out the 2017-18 deprivation rates.

Band	2017-18 Amount per child, per hour
1	£0.45
2	£0.34
3	£0.22
4	£0.11
5	£0.00

5.24. The table below illustrates the potential financial impact on providers, from the changes to the local funding formula. The financial modelling is based on the historic data from the Autumn term 2015, Spring 2016 and Summer 2016, together with an assumption of 2% growth; as at the time of the financial modelling the Autumn term 2016 data wasn't available.

Impact of 2017-18 3 and 4 year olds funding formula				
		Number of providers who see a percentage increase/decrease in their funding		
		Maintained %	PVI %	Child-minders %
Increase	Greater than 15%	-	-	-
	between 10% and 14.99%	-	-	-
	between 5% and 9.99%	-	64	40
	between 0 and 4.99%	1	14	-
	no change	-	2	26
Decrease	between 0 and -4.99%	6	5	-
	between -5% and -9.99%	3	2	-
	between -10% and -14.99%	1	-	-
	Greater than -15%	-	3	-
	Total	11	90	66

		Maintained	PVI	Child-minders
Increase	Number of providers	1	78	40
	Largest financial gain	£1,068	£17,916	£788
	Largest percentage gain	0.6%	11.9%	8.5%
	Mean financial gain	£1,068	£5,099	£213
Decrease	Number of providers	10	10	-
	Largest financial loss	(£7,646)	(£5,100)	-
	Largest percentage loss	(10.5%)	(30.7%)	-
	Mean financial loss	(£4,295)	(£2,747)	-

- 5.25. The table above highlights that 119 (or 71%) of all providers will see an increase in their funding for 2017-18 due to the proposed formula changes. This assumes that they deliver the same number of hours as they did during the terms used for financial modelling.
- 5.26. The provider information used to complete the financial modelling contained 28 (17%) providers that did not provide free childcare services during the period. These are shown on the table above as no change.
- 5.27. Of those 20 (12%) providers that see a reduction in funding, there are two key reasons for the reduction.
- The workforce grant (£6,000) and (in the case of maintained settings) the maintained grant (£6,234). The new funding formula does not allow the use of these supplements; therefore these providers have experienced a net loss in funding.
 - Some newly opened and growing provisions, currently in receipt of the workforce grant in 2016-17, but have not yet enrolled enough children to cover the removal of the supplement.
- 5.28. In total 38 providers received these supplements in 2016-17, the proposed new formula only affects 20 of them for the reasons explained above. In all cases the Early Years Team are already working with the providers to ensure they are aware of the potential decrease in funding and supporting them to mitigate the impact through the development of the provision.

6. Meeting the needs of disabled children and children with special educational needs

- 6.1. The DfE have confirmed the introduction of two measures for allocating additional funding for children with Special Educational Needs or disabilities (SEND) from 2017-18.

Disability Access Funding

- 6.2. The Disability Access Funding (DAF) will support providers to make initial reasonable adjustments and build the capacity of the setting to support disabled children.
- 6.3. DAF will be payable for 3 and 4 year old children if they meet the following eligibility criteria:
- The child is in receipt of child disability living allowance (DLA)
 - The child receives free early childcare education.

- 6.4. The DfE guidance⁴ sets out the responsibilities of:
- Providers:
 - for identifying eligible children.
 - Local authorities:
 - to encourage providers to speak to parents to identify those children who are eligible; and
 - to carry out checks to ensure that the eligibility criteria are being met and to keep a copy of the evidence on file.
- 6.5. The estimated funding for 2017-18 to local authorities, will be based on the February 2016 data from the Department of Work and Pensions on the number of children entitled to DLA aged 3 and 4 in England. This will be adjusted for an estimated percentage of 4 year olds who are attending reception classes rather than taking up their free entitlement.
- 6.6. The estimated 2017-18 allocation for Portsmouth is £67,700.
- 6.7. From January 2018, the DfE will collect data relating to children in receipt of DLA and the take up of DAF will be collected via the school census and the early years census.
- 6.8. In distributing the funding to providers the DfE have set out the following guidelines.
- a. The DAF would be paid to all providers for each child in receipt of Disability Living Allowance (DLA) taking up a place in their setting. This will be paid as a one off payment of £615 per year and children do not need to take up the full 570 hours of free entitlement in order to receive the DAF.
 - b. DAF funding is payable as a lump sum once a financial year for each eligible child. If a child is attending more than one setting then the parents will be asked to nominate the main setting to receive the DAF funding.
 - c. If a child moves between settings within a financial year then the new setting is not eligible to receive DAF funding and the previous setting will not have the DAF recouped from them.
 - d. In cases where a child attends a setting that is in a different local authority to that where they live the local authority where the setting is located is responsible for paying DAF.
 - e. Only those settings that are eligible to receive funding for 3 and 4 year old early education free entitlement are eligible for DAF funding.

⁴ Early years national funding formula - operational guide December 2016

- 6.9. Due to the method of payment of DAF funding to the local authority (estimates) and the method of payment to providers (eligibility) it is unknown at this stage if the funding provided for 2017-18 will be sufficient to meet the requests for payments to providers.
- 6.10. This funding is not intended to cover the total costs of providing childcare for a disabled child in receipt of DLA.

Inclusion Fund

- 6.11. The DfE have identified that local authorities and providers which are delivering effective support for children with SEN, have a strategic and clear approach on how funding is allocated to meet additional needs.
- 6.12. The DfE have confirmed that all local authorities should set up an Inclusion Fund in their local funding systems for 3 and 4 year olds. The purpose of the fund will support local authorities to work with individual providers to resource support for the needs of individual children with SEND.
- 6.13. As set out in the October 2016 report the authority already has a significant range of support available for children in early year's provision with SEND.
- 6.14. The Willows Nursery is commissioned to provide 84 part time (42fte) places for children from 2 years plus with special educational needs and disabilities (SEND). Referrals are made through the Early Years Panel and are considered in relation to a set of criteria.
- 6.15. For children attending mainstream settings there is already an 'Inclusion' type fund available to which settings can apply for additional support. Again, referrals are considered against specific criteria and funding is agreed and allocated via the Early Years Panel. The fund is designed to support settings to facilitate good outcomes for youngsters by accessing training, environmental adaptations and sometimes by providing a higher level of adult support for individual youngsters.
- 6.16. It is proposed to continue this support using the current funding from both the high needs block and early year's block of the DSG. To ensure sufficient funding it is proposed to retain 4 pence per funded hour to support SEND for 3 and 4 year olds.
- 6.17. The funding will continue to be allocated to pupils (and therefore providers) through the multi professional early years panel. Applications are considered against set criteria and awarded as top-up grants to support the needs of individual children

6.18. The operational guidance clarifies that the SEN Inclusion fund should support 3 and 4 year olds and not 2 year olds. However it does enable local authorities to set up a similar approach for 2 years which is covered in section 8 of this report.

7. Transitional arrangements

7.1. The DfE has put in place transitional arrangements to minimise turbulence, help with transition and support the introduction of the 30 hours.

7.2. The range of transitional measures include:

- Limiting reductions in Local Authority funding, so that no Authority sees a reduction in its hourly funding rate of greater than 10% against the 2016-17 baseline.
- In addition to the total limit of 10%, the DfE proposes to limit the annual reductions in the Local Authority hourly funding rates at 5% in 2017-18 and 5% in 2018-19.
- To transition to the 95% high pass-through rate, starting at 93% in 2017-18 and moving to 95% in 2018-19.
- Allow local authorities until 2019-20 to implement the universal 'per child' base rate.

7.3. As Portsmouth has seen an increase in funding and is proposing to pass over 95% of funding direct to settings from 2017-18, the above transitional arrangements will not apply.

8. 2 Year Old Funding

8.1. As the funding for the most disadvantaged two year olds is already on a fair and formulaic basis, it was not covered within the DfE consultation. However they did highlight the previous commitment to uplift the average two year old funding rate from £5.09 to £5.39.

8.2. In December 2016 the DfE confirmed the 2 year old funding rate for 2017-18 as £5.43 per hour an increase of £0.36 on the current hourly rate of £5.07. Our funding allocation for 2017-18 has been confirmed at £2,321,428 an increase of £154,000 on 2016-17.

8.3. In setting the 2 year old funding formula for 2017-18, the current funding arrangements were reviewed. It is proposed that the £5.43 per hour funding provided by the DfE is allocated as set out in the table below and explained in the following paragraphs.

8.4.

2017-18 allocation of the funded hourly rate - 2 year olds		
	£	%
Basic hourly rate per pupil	5.03	92.63%
SEN Inclusion fund	0.04	0.74%
Growth fund	0.13	2.39%
Total funding passed to settings	5.20	95.76%
Central retained funding	0.23	4.24%
Total	5.43	100.00%

8.5. When 2 year old funding was introduced in to the DSG, both Cabinet Member and Schools Forum agreed that a sum be retained centrally to support the eligibility checking process. To support the continuation of the eligibility checks it is proposed to maintain the central funding which would equate to 23 pence per funded hour.

Introduction of an Inclusion Fund for 2 year olds

8.6. With the extension of local authority responsibilities to support children with SEND from 0 to 25 and the requirement to set an Inclusion Fund for 3 and 4 year olds. It is proposed to provide an Inclusion Fund specifically to support individual 2 year olds with Special Educational Needs attending early year's settings.

8.7. It is proposed that this will be funded 4 pence of the hourly funding rate and funding will be allocated via in the same way as the 3 and 4 year old Inclusion Fund.

Growth Fund

8.8. In line with the 3 and 4 year old arrangements it is proposed to establish a growth contingency fund which will provide funding for growth in pupil numbers, this will be established at 13 pence of the hourly funding rate and will provide funding for a growth of approximately 20 pupils (or 2.6%) over the course of the financial year.

New hourly rate for 2017-18

8.9. Therefore the hourly funding rate to providers will increase from £4.85 per hour to £5.03 per hour which is an increase of 18 pence (or 3.7%).

9. Reasons for recommendations

The purpose of this report is to provide the Cabinet Member with the proposed funding arrangements for 2017-18 in respect of 2,3 and 4 year olds and to seek approval to the corresponding amendments to the Dedicated Schools Grant budget, in line with the School and Early Years Funding (England) regulations. It is therefore recommended that the Cabinet Member approves the recommendations.

10. Equality impact assessment (EIA)

- 10.1. This report and the proposals within form part of the national implementation of the Early Years national funding formula as directed by the Department of Education and set out in the School and Early Years Finance (England) Regulations 2017.
- 10.2. As part of the implementation the DfE conducted an Equality Impact Assessment which identified that they were not aware of any evidence that the method of distributing early years funding could impact on children or adults of particular ages disproportionately.
- 10.3. The proposed early years funding proposals including the introduction of the Disability Access Fund and the continued use of the Inclusion fund will support children with special educational needs and disabilities to access and receive better outcomes from the free early years entitlement.
- 10.4. Details of the Equalities Impact Assessment carried out by the DfE can be found via <https://www.gov.uk/government/publications/early-years-national-funding-formula-equalities-impact-assessment>

11. Legal comments

- 11.1 The consultation undertaken with early years providers fulfils the Council's duty under Regulation 9(3) of the School and Early Years Finance (England) Regulations 2017 to consult such providers in its area in relation to changes to local funding formulae which will affect them.
- 11.2 There are no further legal implications arising directly from the recommendations in this report.

12. Finance comments

Financial comments have been included within the body of this report.

Signed by: Alison Jeffery, Director of Children's Services

Appendices:

1. Provider consultation and responses - November 2016
2. Calculation of pass through rate for 3 and 4 year olds
3. DSG Revised Budget 2017-18

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Early years national funding formula - operational guide	Early years national funding formula: allocations and guidance - Publications - GOV.UK
'Future changes to Early Years Schools Funding Arrangements' report to Cabinet Member and Schools Forum (Oct 16)	http://democracy.portsmouth.gov.uk/ieListDocuments.aspx?CId=335&MId=3322&Ver=4

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

.....
Signed by:



Appendix 1 - Consultation November 2016



All early education and childcare providers on the 'local directory'

25 October 2016

Early Years and Childcare

Civic Offices
Floor 2, Core 6
Guildhall Square
Portsmouth
PO1 2EA

Phone: 023 9268 8830

Ref:

Dear Colleague

Proposed changes to early education funding formula

As you will be aware, on the 11 August 2016, the Department for Education (DfE) published a national consultation seeking views on proposals to change the way in which both local authorities and childcare providers are funded from April 2017 onwards. Portsmouth City Council and many local providers submitted responses prior to the consultation closing on 22 September 2016.

The proposals set out within the DfE's consultation document can be summarised into the following areas:

- Changes to the funding arrangements from central government to local authorities
- Changes to funding arrangements from local authorities to early years providers
- Meeting the needs of disabled children and children with special educational needs.
- Transition to the new funding arrangements.

The Government has not yet published their response or the associated changes to statutory guidance. However, in order to be ready to implement any changes, Portsmouth City Council has decided to consult on our proposed changes. As such, these are all subject to the Government implementing their national funding formula and may be subject to further alteration or withdrawal. It is important to understand that any financial amounts which are referred to are indicative and cannot be relied upon as the final settlement.

In developing the proposed national funding formula (the funding the Government pass to Portsmouth City Council), the DfE states that it has drawn on evidence collected from the 'Cost of Childcare Review' to identify the key drivers of cost variation. The proposed formula contains the following three factors:

- A universal base rate of funding for each child
- An additional needs factor
- An area cost adjustment



Appendix 1 - Consultation November 2016

The Government consulted on 3 key areas which impact on Portsmouth; capping the funding local authorities utilise to discharge their statutory duties, requiring local authorities to have an 'inclusion fund' to support children with SEND and obliging councils to have a nationally shared approach to their local formula (the way we pass money to providers), namely:

- A universal base rate for all types of provider
- A mandatory deprivation rate
- A choice of several additional supplements (e.g. rurality, flexibility)

As you know, Portsmouth's current formula structure is already largely in line with the Government proposals. As such, we are consulting on a very small number of changes to this:

- We will retain a base rate which is the same for all types of provider. We do expect this to increase in line with any funding increase provided by the Government to Portsmouth
- We will retain a deprivation rate but intend to consult on the measure we use
- We will consult on adding the funding that will be released by the Governments proposal to cease the 'workforce development' supplement to the universal base rate.

Attached is a short outline of the consultation questions. You are encouraged to respond directly via the email address cdt.enquiries@portsmouthcc.gov.uk. In addition, there will be some short sessions with officers which will allow providers to further explore these proposals. The sessions are all aligned to the additional 15 hours Trial 'learning sets' you have been invited to. As space is limited you should only book the manager and owner/chair and email us to let us know you're coming along. The sessions are:

- 11.45-12.45pm on 16 November at The Portsmouth Academy
- 11.45-12.45pm on 17 November at The Portsmouth Academy
- 5.15-6.15pm on 17 November at The Portsmouth Academy (**cancelled due to low delegate numbers**)

The consultation will close on Friday 18 November 2016. Following this, we will be working to model the impact of the changes and will consult further with providers prior to publishing a final structure.

Yours sincerely,

Anthony Harper
Service Manager - Early Years and Children's Centres (Central Locality)

Email: cdt.enquiries@portsmouthcc.gov.uk



Appendix 1 - Consultation November 2016

Proposed changes to early education funding formula October 2016



The Government propose that all local authorities will be required to have a universal base rate for all providers. Portsmouth City Council will therefore retain the current base rate for all providers but expect this to rise in line with the increased funding from Government.

The Government propose that a mandatory deprivation supplement remain. Portsmouth City Council will therefore retain this supplement but propose 2 measures:

- 1) *Retain the current measure which relates to the percentage of children attending the setting who live in the most economically deprived areas of the City (at present 35 of the 92 group based providers are eligible for band 1, 2 and 3 of the supplement).*
- 2) *Alter the measure to recognise the geographic location of the setting. We propose that those located in the 30% most deprived areas of the City receive an additional supplement (at present this would see 32 of the 92 eligible for this supplement) and those in other parts of the City would not.*

Question 1:

Which of the outlined measures would you support the local authority to implement and why? 1 2

Comments:

In line with Government proposals, Portsmouth City Council propose to remove the existing 'workforce development' supplement. This is designed to support childcare providers in recruiting and retaining graduate leaders. Its original purpose was to allow salary increases and access to higher level CPD. However, feedback appears to show that many providers instead use this as part of the overall funding allocation.

Question 2:

Do you agree with the council's proposal to remove the 'workforce development' supplement and add the funding to the universal base rate? Yes No

Comments:

The Government propose a range of supplements which local authorities could use (e.g. flexibility, rurality). In order to maximise the money we pass direct to childcare providers (the 'pass through rate') Portsmouth City Council propose not to include any additional supplements. This will allow us to ensure that all providers benefit from a maximised universal base rate.

Question 3:

Do you agree with the council's proposal not to have any optional supplements?

Yes No

Comments:



Appendix 1 - Provider consultation November 2016 (responses)

	Question 1: Which of the outlined measures would you support the local authority to implement and why?			Question 2: Do you agree with the council's proposal to remove the 'workforce development' supplement and add the funding to the universal base rate?			Question 3: Do you agree with the council's proposal not to have any optional supplements?		
Provider Type	Option 1	Option 2	Comments	Yes	No	Comments	Yes	No	Comments
Pre-School	1		Current measure gives parents a wider choice of setting.	1		I do not feel this has achieved the purpose it was set up for.	1		Too many supplements are unfair and confusing.
Pre-School	1		Children do not always attend their local preschool so I believe that retaining the current measure would be more appropriate.		1	I strongly disagree with the proposal to remove the workforce development supplement, as this was provided as an incentive for practitioners to gain further qualifications and provide EYPs in settings. In my setting it has led to three staff gaining further knowledge, one to level four and two to degree level. Although this supplement was not used to enhance the individual wages of those gaining extra qualifications it was used to raise the poor standard of wages across all staff in the setting. If the supplement is withdrawn completely, I think it would be seen by early years staff and the parents of the children attending the setting that the Local Authority no longer cares about the quality of staff in settings educating and caring for their young children in the Portsmouth area.	1		No comments.
Pre-School	1		We feel that this would be more representative of the children who attend our setting. Some of our children come from different areas of the city because the parent has children at a nearby school or their workplace is near to us.	1		The workforce development grant never really achieved what it was intended to do. It could prove difficult for settings if the member of staff it was linked to left the setting, especially if the funding had been earmarked for expenditure.	1		It makes budgeting a lot easier as we know how much we are getting per child (base rate plus deprivation if applicable). Also, with something like flexibility, it seems to us that that would be quite difficult to define



Appendix 1 - Provider consultation November 2016 (responses)

	Question 1: Which of the outlined measures would you support the local authority to implement and why?			Question 2: Do you agree with the council's proposal to remove the 'workforce development' supplement and add the funding to the universal base rate?			Question 3: Do you agree with the council's proposal not to have any optional supplements?		
Provider Type	Option 1	Option 2	Comments	Yes	No	Comments	Yes	No	Comments
									and even more difficult to monitor. It seems a bit unfair to penalise those settings who are unable to be flexible (e.g. term-time in a church hall).
Pre-School	1		I would support measure 1 so that all children who need it are supported and not just those in the most deprived areas.		1	No comments.	1		No comments.
Pre-School	1		This measure best benefits the children.		1	No comments.	1		No comments.
Pre-School	1		The children who need it should get it, some settings might be in a geographically good area and children attending from outside boundaries.	1		Not all settings have graduate leaders but all have leaders so money should go to all.		1	If referring to supplements such as EYPP. It comes so late, so first term is practically missed before we know who is eligible so universal maximised base rate would be better for all.
Nursery	1		Despite geographical location some children are still deprived and should be supported regardless of where they live.		1	I feel the Workforce Development supplement should be given to those as an incentive to train further or as a reward for training further. An acknowledgement of those passionate to continue with own CPD to improve practice and quality of care.		1	Our base rate is low anyway and it is nice to receive supplements and bonuses to enhance the rate and use on additional resources.



Appendix 1 - Provider consultation November 2016 (responses)

	Question 1: Which of the outlined measures would you support the local authority to implement and why?			Question 2: Do you agree with the council's proposal to remove the 'workforce development' supplement and add the funding to the universal base rate?			Question 3: Do you agree with the council's proposal not to have any optional supplements?		
Provider Type	Option 1	Option 2	Comments	Yes	No	Comments	Yes	No	Comments
Nursery	1		No comments.		1	We use this money to employ level 5 staff.		1	Supplements would help to provide support for children with SEN. This helps with ratios, equipment, meeting childrens individual targets and training of staff.
Nursery	1		Current 'postcode' structure as my nursery wouldn't benefit, however children may.	1		No comments.	1		No comments.
Nursery		1	No comments.		1	No comments.	1		No comments.
Nursery	1		This doesn't affect our preschool so either option would be supported by us.	1		We don't feel there is enough demand for these type of roles within our preschool.	1		No comments.
Nursery	1		No comments.	1		No comments.	1		No comments.
Nursery	1		Children attend settings from across the setting, not necessarily their local one and so the funds should follow them, not where they are located.	1		The universal base rate needs to be as high as possible with as few supplements as possible.	1		As we know the rate is poor and is not going to increase significantly so as much of the pot of money needs to go in the base rate and be evenly distributed amongst all settings.
Nursery	1		This takes into account the cohort of children attending the setting regardless of the settings location. Therefore enable us to support these children whether or not we are in a deprived area.		1	We have a qualified teacher owner who is based in the preschool room. She also continually keeps up to date to ensure our children are ready for school and what the expectation is. This also enables her to carry out training which filters through.	1		I believe this will make the process more complicated. Settings would be better receiving a universal base rate which is clear to all.



Appendix 1 - Provider consultation November 2016 (responses)

	Question 1: Which of the outlined measures would you support the local authority to implement and why?			Question 2: Do you agree with the council's proposal to remove the 'workforce development' supplement and add the funding to the universal base rate?			Question 3: Do you agree with the council's proposal not to have any optional supplements?		
Provider Type	Option 1	Option 2	Comments	Yes	No	Comments	Yes	No	Comments
Nursery	1		Two reasons - we are eligible under the current measure and may not be under the new proposal and also if 32 of the 35 will still be eligible under the new proposal it wouldn't make a great deal of difference overall.	1		Providers do tend to lump it in the budget rather than using for higher level CPD and graduate salary and the money attached to the UBR would be fairer for all.		1	Flexibility could be used as a supplement to encourage more settings to be more flexible - there are still a lot of settings in the city that only offer set sessions and are not making best use of their hours and with universal 30 hours next year this is going to be even more crucial - so a supplement might make people rethink their strategy - but it would need to be checked up on? Not sure how that would work - maybe secret shopper style?
Nursery	1		Current measures helping all deprived areas of the city.		1	Smaller settings would suffer as a result.		1	As a small setting we would not benefit as larger nurseries.



Appendix 1 - Provider consultation November 2016 (responses)

	Question 1: Which of the outlined measures would you support the local authority to implement and why?			Question 2: Do you agree with the council's proposal to remove the 'workforce development' supplement and add the funding to the universal base rate?			Question 3: Do you agree with the council's proposal not to have any optional supplements?		
Provider Type	Option 1	Option 2	Comments	Yes	No	Comments	Yes	No	Comments
Nursery	1		No comments.		1	The reason I have chosen to keep supplements instead of increasing the base rate is because; based on estimations I would benefit more financially from the supplements. Larger settings would benefit from an increased based rate as the more children the more money however I am capped at 22 per day and the workforce supplement is more than what I would make from an increased based rate. Also the work force supplement has been immensely helpful as staff incentives to perform. It has also been lovely to lift moral among staff by financially rewarding them with money (something I've not been able to do before now) yet they work so hard!!		1	No comments.
Nursery		1	Due to the setting in a deprived area we would benefit more from the second measure.	1		I agree with the council's proposal to remove the workforce development supplement because not all settings are able to access it so it would mean that all settings would be able to if the funding was added onto the universal base rate.	1		It would mean that all providers will benefit from a maximised universal base rate.
Childminder		1	I feel deprivation should be based on the setting postcode. I feel this would make our business predictions easier as currently we do not know which children will attract the funding and also at what rate. If it was based on the setting address it would be the same level of funding for	N/A	N/A	I do not feel the workforce development sum was available to childminders as it would be very rare to deliver to 8 or more funded children at any one time. I also do not believe settings that received it were all using it for the intended purpose.	1		I feel this would be beneficial to all providers as the base rate will be the most significant factor for all of us. I see it as a real positive that Portsmouth are listening to providers and trying to get as



Appendix 1 - Provider consultation November 2016 (responses)

	Question 1: Which of the outlined measures would you support the local authority to implement and why?			Question 2: Do you agree with the council's proposal to remove the 'workforce development' supplement and add the funding to the universal base rate?			Question 3: Do you agree with the council's proposal not to have any optional supplements?		
Provider Type	Option 1	Option 2	Comments	Yes	No	Comments	Yes	No	Comments
			all children in the setting so business estimates would be much simpler.						much money as possible across to the front line.
Childminder	1		No comments.	1		No comments.	1		No comments.
Childminder	1		No comments.	1		No comments.	1		No comments.
Childminder	1		No comments.	1		No comments.	1		No comments.
Childminder	1		No comments.	1		No comments.	1		No comments.
Childminder	1		No comments.	1		This was never applicable to childminders who are always striving to have a better CPD.	1		No comments.
Childminder	1		No comments.	1		No comments.	1		No comments.
Childminder	1		No comments.	1		No comments.	1		No comments.
Childminder	1		No comments.	1		No comments.	1		No comments.
Childminder	1		No comments.	1		No comments.	1		No comments.
Childminder	1		No comments.	1		No comments.	1		No comments.
Childminder	1		No comments.	1		No comments.	1		No comments.
	27	3		20	9		24	6	
	90%	10%		69%	31%		80%	20%	

Appendix 2 - Calculation of pass through rate for 3 and 4 year olds

Equivalent planned average rate to providers for 3 and 4 year old entitlement hours		
DFE Formula for checking pass through rate		Budget
		£
	S251 funding quantum for three and four year olds (15 and 30 hours) on planned base rate	7,992,085
Plus	any lump sums	
Plus	all supplements	390,811
Plus	SEN inclusion fund top up grants	78,162
Plus	Any contingency fund	254,027
Less	DfE quantum allocation to local authority of MNS supplementary funding	
	Total	8,715,085
divided by		
	S251 planned base hours for three and four year olds (15 and 30 hours) including hours through MNS	1,954,055
	Total per hour	4.46
divided by		
	LA EYNFF hourly rate for 3 and 4 year olds	4.69
	Total	95.10%
	Required pass through 2017-18	93.0%
	Variation	2.10%
	Required Pass through 2018-19	95.0%
	Variation	0.10%

Appendix 3 - Revised DSG budget 2017-18

	Original 2017-18 Budget (including Academies)	Estimated Budget Revisions	Revised 2017-18 Schools Budget (including Academies)	Revised 2017-18 Schools Budget (excluding Academies)
	£000	£000	£000	£000
Individual School Budgets (ISB)				
Primary	62,597	-	62,597	43,475
Secondary	44,643	-	44,643	19,325
Special School Place Funding	5,328	-	5,328	1,558
Resourced Unit Place Funding	921	-	921	596
Alternative Provision Place Funding	1,250	(60)	1,190	1,070
	114,739	(60)	114,679	66,024
De-delegated and central budgets				
Growth Fund	275	-	275	275
De-delegated budgets	321	-	321	321
Licences	120	-	120	120
Schools Forum	15	-	15	15
Admissions	252	-	252	252
ESG retained duties	374	-	374	374
	1,357	-	1,357	1,357
Early Years				
3 & 4 Year Old Provision ¹	8,033	2,266	10,299	10,299
2 Year Old Provision	2,332	(126)	2,206	2,206
Disability Access Fund	-	68	68	68
Inclusion Fund	-	108	108	108
Central Expenditure on under 5	599	24	623	623
	10,964	2,340	13,304	13,304
High Needs				
Element 3 Top-up funding	8,085	60	8,145	8,145
Out of City Placements	2,000	-	2,000	2,000
SEN Support Services	675	-	675	675
Medical Education	660	-	660	660
Outreach Services	187	-	187	187
Fair Access Protocol	60	-	60	60
Post-16 high needs places	290	-	290	0
	11,957	60	12,017	11,727
Total Expenditure	139,017	2,340	141,357	92,413
DSG Income	(139,017)	(2,340)	(141,357)	(92,413)
Total Income	(139,017)	(2,340)	(141,357)	(92,413)

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Title of meeting:	Cabinet Member for Education
Date of meeting:	13 February 2017
Subject:	2018-19 and 2019-20 Future School Funding Arrangements
Report from:	Alison Jeffery, Director of Children's Services
Report by:	Richard Webb, Finance Manager
Wards affected:	All Wards
Key decision:	No
Full Council decision:	No

1. Purpose of report

The purpose of this report is to provide the Cabinet Member with an initial summary and impact assessment, of the proposals contained within the stage 2 'school national funding formula' consultation issued by the Department for Education (DfE) on the 14th December 2016.

2. Recommendations

It is recommended that the Cabinet Member:

- a. **Note the Department for Education's proposed changes to the school funding arrangements and the potential impact of these changes, as set out within this report; and in particular that:**

2018-19

- i. **2018-19 will be a transitional year. Funding to Local Authorities will be allocated on a national formula basis, but Local Authorities will continue to distribute funding to schools based on a local formula.**
- ii. **The 'Schools Block' funding will be ring-fenced within the Dedicated Schools Grant (DSG).**
- iii. **The creation of a new 'Central Schools Services Block' which will include the 'retained duties' element of the Education Services Grant (ESG).**
- iv. **The introduction in 2018-19 of a formulaic method for distributing High Needs funding from central to local government.**
- v. **The mechanism for allocating place funding to Resourced Units will be changing.**

- vi. **The proposed flexibility for local authorities to transfer funds, from the funding schools are due to receive through the schools formula to their high needs budget**

2019-20

- vii. **The implementation of a single National Funding Formula from 2019-20 (at a school level), with funding being passed directly by the Education Funding Agency.**

- b. **Agree the proposed draft submission of the response to stage 2, of the Department for Education's consultation, as shown at Appendix 1; subject to finalisation of the responses indicated**

3. Background

- 3.1. On the 14th December 2016, the government issued its stage 2 consultation documents, setting out its plans for reforming funding for schools and for high-cost special educational needs and alternative provision.¹

- 3.2. The proposals seek to implement a 'national funding formula for schools' and meet the commitment set out in the Spending Review 2015:

'1.165 The government will introduce the first ever national funding formula for schools, high needs and early years, so that funding is transparently and fairly linked to children's needs. This will end the unfair system where a child from a disadvantaged background in one school attracts half as much funding as a child in identical circumstances in another school, simply because of where they live.

- 3.3. In May 2016, both Cabinet Member and Schools Forum were presented with an initial summary and impact assessment of the proposals set out within the consultation documents at stage 1; together with copies of the responses submitted to the consultation on behalf of both the City Council and Schools Forum.

- 3.4. This report seeks to provide the Cabinet Member with a further assessment, of the proposals contained within the stage 2 consultation documents issued by the DfE. Further updates will be provided as the consultation and implementation processes develop and further details are made available.

4. DfE Consultation Process

- 4.1. In March 2016, the DfE launched a two stage consultation process in respect of both the mainstream schools revenue funding arrangements

¹ <https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/>

and high need arrangements. Stage 1 of the consultation closed on 17 April 2016 and stage 2 commenced on 14 December 2016. The sections below outline the purpose of the different stages.

Stage 1:

Mainstream Schools - a vision for the future funding system as a whole:

- the principles that underpin the formula
- the building blocks that are used to construct the formula
- the factors to be included in the formula

High Needs - covers high level principles, key proposals and options for changes to high needs funding to the local authority and changes to the way high needs funding supports providers.

The stage 1 consultation closed on 17th April 2016.

Stage 2:

Mainstream Schools - seeks views on the detail of the National Funding Formula for schools and for the central school services block. It also considers the relative weightings of the different factors and arrangements for the transition to the formulae.

High Needs - seeks views on the detail of the National Funding Formula for high needs and other proposals relating to high needs funding. It also considers the relative weightings of the different factors and arrangements for the transition to the formulae.

The Stage 2 consultation closes on 22 March 2017.

- 4.2. The draft response to the stage 2 consultation can be found at Appendix 1.

5. Underpinning Principles

- 5.1. Stage 1 of the consultation, set out the following principles which would underpin the proposed reforms to the school revenue funding formula:

- **Supports opportunity for all pupils to achieve their potential.**
- **Is fair.** Allocates funding based on objective measures, not historical reasons.
- **Is efficient.** Allocates resources to match need.
- **Gets funding straight to the frontline.**
- **Is transparent.** Schools understand the funding they receive and how it is likely to change.
- **Is simple.**

- **Is predictable.** Enables schools and local authorities to manage and plan for year on year changes.

5.2. In responding to the stage 1 consultation question on the underpinning principles above, we highlighted that it would be helpful to also have a set of principles to guide and support the transition phase towards the new national funding formula. For example: a proposed target ratio for the primary/secondary funding proportions, guidance as to acceptable levels of Minimum Funding Guarantee (MFG) protection. These have now been incorporated within the DfE's proposals as detailed below.

6. Mainstream Funding Arrangements

Main proposals

6.1. The DfE's main proposals for the mainstream funding formula arrangements, are summarised as:

i. Across the whole formula:

- to maintain the primary to secondary ratio in line with current national average of 1:1.29 (*in 2016-17 Portsmouth was 1:1.28*)
- to maximise the proportion of funding allocated to pupil led factors compared to current funding system

ii. Basic per pupil funding:

- to continue to increase the basic rate as pupils progress through the key stages
- to increase the total spend on the additional needs factors in the national funding formula

iii. Additional needs funding:

- to increase the total spend on the additional needs factors (deprivation, prior attainment, English as an additional language (EAL) and mobility)
- to continue to have a substantial deprivation factor, in addition to the pupil premium and include a greater weighting towards areas with high concentrations of just managing families who do not typically qualify for FSM deprivation funding, through the use of a significant area-level deprivation factor (using IDACI).
- to increase substantially the weighting of the low prior attainment factor
- to continue to have an EAL factor, increased in terms of total spend in comparison to the current system because all eligible pupils will be funded consistently
- protect local authorities spend on current mobility factor (*not currently used in Portsmouth*)

iv. School led funding

- to continue to provide every school with a lump sum, but at a lower level than the current national average, to enable more funding to be directed to pupil-led factors
- to provide small and remote schools with additional funding
- to proceed with the original proposal to fund rates and premises factors (PFI, split sites, etc.) in 2018-19 on the basis of historic spend, but with an adjustment to the PFI factor in line with the RPIX² inflation measure
- to proceed with their original proposal to fund the growth factor on an historic basis for 2018-19 and seek views through this latest consultation on a better approach for the longer term

v. Geographic Funding

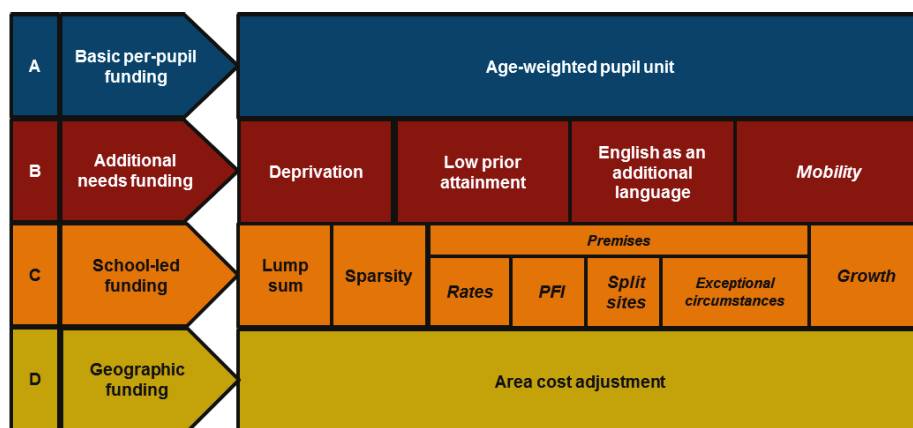
- to recognise the higher salary costs faced by some schools, especially in London, an area cost adjustment will be applied, using the hybrid area cost adjustment methodology, which takes account of the variation in both the general and teaching labour markets

vi. Stability

- an overall funding floor, will ensure that no school will face a reduction of more than 3% per pupil *and during the transition period:*
- a minimum funding guarantee (MFG) of minus 1.5% per pupil will continue
- schools will receive gains of up to 3% per pupil in 2018-19, and then up to a further 2.5% in 2019-20

The mainstream funding formula model

6.2. Following the first stage consultation, the diagram below confirms the new national funding formula model, based on the following 4 building blocks (A to D). The only difference from the proposed model at stage 1; is the inclusion of the mobility factor.



² RPIX - RPI All Items Index Excl Mortgage Interest. See Office for National Statistics 'inflation and price indices'

The funding formula factor weightings

- 6.3. Having established the factors that would be included within the school revenue funding formula arrangements, the purpose of the second stage of the DfE's consultation is to put forward proposals for the relative weighting for each formula factor.
- 6.4. Their starting point for the development of the formula weightings has been the collective formulae used by local authorities to distribute funding to schools; as this represents the conclusions made over a number of years by local authorities and their Schools Forums.
- 6.5. However, they recognise that the funding system is complex and that although there are some similarities, there is also variation. Therefore, the formula that is now proposed within this stage of the consultation is grounded in the current distribution of funding, but also includes a number of proposals to vary from that, where the DfE believe doing so would better support fairness and opportunity for all.
- 6.6. The sections below summarise the DfE's proposals in respect of the funding formula weightings, together with a comparison to the funding arrangements in Portsmouth in 2016-17; as this is the year the DfE are using for comparison purposes. A summary table is shown at Appendix 2.

Primary/Secondary Ratio

- 6.7. One of the DfE's key considerations in designing the national funding formula for schools has been the ratio of funding between the primary and secondary phases. Although the DfE have recognised there are some individual differences from the national average, the DfE believe that the national average ratio has remained steady at around 1:1.29.
- 6.8. The DfE are therefore proposing that the national funding formula will have a primary/secondary ratio of 1:1.29, which is slightly higher than the 2016-17 ratio within Portsmouth, which is 1:1.28. This will mean that on average secondary funding will be on average 29% higher overall than primary funding. However, it does not mean that every secondary pupil will attract 29% more funding than every primary pupil, as the exact amount each pupil attracts to their school will depend on their characteristics.

Pupil-Led Factors

- 6.9. In developing the national funding formula, the DfE have also considered the balance between funding through pupil-led factors and school-led factors. In the current system local authorities are required to allocate at least 80% of funding through the pupil-led factors.

- 6.10. The DfE are now proposing that 91% of total funding is allocated through pupil-led factors in the new national funding formula; which they intend to achieve through the reduction in funding through school-led factors where possible. In comparison, in 2016-17 Portsmouth allocated 92.3% of its funding to mainstream schools through the pupil-led factors; which is slightly higher than the DfE's proposal.

Basic Per Pupil Entitlement

- 6.11. As is the case in the current funding system, the DfE continue to believe that the funding through the Basic Per Pupil Entitlement factor should be the largest formula factor. The DfE are proposing to allocate slightly less through this factor nationally, setting the weighting at 73%, and to make a corresponding change to increase the amount allocated through the additional needs factors. Locally we allocated 74% through this factor in 2016-17.
- 6.12. The DfE are also continuing to differentiate the funding rates through this factor, with different funding rates for Primary, Key Stage 3 and Key Stage 4. The table below compares the DfE's proposed funding rates (before area cost adjustment) with Portsmouth's rates for 2016-17.

	Proposed National Funding Rates	PCC Funding Rates 2016-17	Variance NFFF v's PCC Funding Rates
Primary	£2,712	£2,917	£(205)
Secondary - KS3	£3,797	£3,727	£70
Secondary - KS4	£4,312	£4,336	£(24)

- 6.13. The current funding formula also enables local authorities to uplift their pupil numbers for the additional reception pupils that join schools after the October census. The DfE are proposing to remove the reception uplift adjustment from 2019-20, with local choice to use the up-lift in 2018-19.
- 6.14. In 2016-17 eleven schools received reception uplift for a total of 21 pupils. Six schools received an uplift adjustment for 1 pupil and remaining five schools received uplift for between 2 and 5 pupils. The removal of this adjustment is therefore not expected to have a significant impact.

Additional Needs Factors

- 6.15. The 4 additional needs factors currently available within the funding formula are: deprivation, low prior attainment, English as an additional language and mobility. The mobility factor is not currently used within Portsmouth and no funding is expected to be received through this factor in 2018-19 as it will be funded on an historic basis; pending development of a more sophisticated indicator.

6.16. The DfE want to support schools as they continue to break the link between these factors and attainment, and they believe that significant investment in the additional needs factors is an important part of this. The DfE are therefore proposing to raise the profile and overall weighting of the additional needs factors by increasing the funding through them at a national level to 18% (from 13%) of the total national schools block budget. In comparison in 2016-17, Portsmouth allocated 18% of its funding to schools through these factors.

6.17. The DfE are proposing the following weightings for the funding allocations within the additional needs factor; which as shown below compare favourably with the Portsmouth allocations in 2016-17:

- Deprivation: 9.3% (PCC 9.96%)
- Low Prior Attainment: 7.5% (PCC 7.09%)
- English as an additional language 1.2% (PCC 0.95%)

6.18. Whilst the overall allocations are at a similar level, the table below shows some variation in the funding rates attached to the underlying data-set indicators; which could create some fluctuations in funding at a school level.

		National Funding Rate		PCC Rate 2016-17		Variance	
		Primary	Secondary	Primary	Secondary	Primary	Secondary
Deprivation (£ per pupil)	Ever 6 FSM	540	785	237	300	303	485
	Current FSM	980	1,225	0	0	980	1,225
	IDACI A	575	810	1,892	1,270	(1,317)	(460)
	IDACI B	420	600	1,577	1,058	(1,157)	(458)
	IDACI C	360	515	1,261	847	(901)	(332)
	IDACI D	360	515	946	635	(586)	(120)
	IDACI E	240	390	0	0	240	390
	IDACI F	200	290	0	0	200	290
Low prior attainment		1,050	1,550	740	2,000	310	(450)
English as an additional language		515	1,385	359	1,822	156	(437)

6.19. In terms of deprivation, the DfE are proposing that pupil-level and area-level deprivation data play a significant role in the formula. The Free School Meal (FSM) - Ever6 FSM deprivation indicator is a history of FSM eligibility and uses the same data set as the pupil premium, capturing all children who have been eligible for FSM at any point in the previous 6 years. The primary to secondary ratio in the funding rate reflects the balance in the pupil premium rates.

- 6.20. The 'Current FSM' deprivation indicator is based on the number of pupils eligible for FSM at the previous year's census. Schools have to meet the costs of providing a FSM to eligible children from their core budget and therefore the DfE believe the funding formula should recognise that the FSM eligibility directly drives some costs. Therefore the Current FSM rate is £440 higher than the FSM Ever 6 rate to reflect the average annual cost of providing meal (£440 per pupil).
- 6.21. Low prior attainment will continue to be allocated to schools where pupils did not reach the expected standard at the previous stage. Whilst the proposed funding rates are lower than those currently applied locally, the DfE has decided to continue to target more funding towards the secondary low prior attainment factor in order to better match funding to need.
- 6.22. The DfE are considering further changes to the secondary low prior attainment factor, which may be implemented from 2019-20. With the new key stage 2 test, the DfE believe it would be possible to introduce a tier system in order to differentiate funding by the likely level of need.

Lump Sum

- 6.23. The DfE have highlighted that the responses to the stage 1 consultation gave strong support for a continued lump sum funding factor, however a number of responses cautioned that the lump sum should not be so large that it removes the incentive for schools to seek to grow, form partnerships and find efficiencies. Therefore the DfE have concluded that they need to set the funding rate at a level that balances the recognition of the fixed costs of running a school, alongside a broad objective to reduce reliance on funding that is not pupil-led.
- 6.24. The proposal is therefore to set the lump sum funding rate at £110,000, which is lower than the current average set by local authorities and significantly less for secondary schools. The primary lump sum funding rate has been reduced in previous years within Portsmouth, in order to remove the disincentive for primary phase schools to amalgamate for financial reasons. The primary and secondary lump sum rates in 2016-17 are £115,000 and £139,150 respectively.
- 6.25. The DfE has confirmed that the current protection arrangements for lump sum payments to amalgamating schools will remain in place in 2018-19.

Premises Factors

- 6.26. The DfE had previously confirmed their intention to retain the group of factors that relate specifically to premises costs: rates, split sites, private finance initiative (PFI) and exceptional circumstances. Within Portsmouth we only use the rates and PFI factors.

- 6.27. For 2018-19 the DfE is continuing to propose that the funding for these factors are allocated on a historic spend basis. They believe that this is appropriate in the short term as the distribution of these costs is unlikely to change significantly year-on-year. The DfE intend to use 2017-18 data for 2018-19 in determining the funding allocations to local authorities. However, in 2018-19 local authorities will continue to determine the funding that schools receive for premises factors.
- 6.28. The DfE have proposed an amendment to their original proposals in respect of the PFI factor. The DfE are now proposing to uprate the funding for PFI in line with inflation, following a number of comments in response to the first stage consultation that PFI contracts are often index linked. They are proposing to up-rate the allocations annually using RPI(X), which differs from the inflation methodology used within our local PFI contract to determine the annual indexation adjustments. It will be necessary to review the impact of this proposal in more detail as part of the implementation of these new arrangements.

Growth Fund

- 6.29. The DfE are proposing that the national funding formula will include a growth factor, so that it is responsive to significant changes. The DfE continue to acknowledge that historic spend on growth will not necessarily predict the amount of funding that will be needed for future growth, and they have set out alternative options and data sources that they have considered.
- 6.30. However, they have concluded that historic spend is still the best approach for allocating growth funding for 2018-19; whilst they determine a better longer term solution.
- 6.31. For 2018-19 the DfE have added an "implicit growth" to each authority's explicit spend to determine their total growth funding. For Portsmouth the value of the "implicit" growth funding, is a combination of the value of the 2016-17 growth fund and the adjustment applied to Mayfield for the variation in pupils numbers arising from the increasing age range of the school.

Area Cost Adjustment

- 6.32. Within the stage 1 consultation, the DfE sought responses to its proposal for an area cost adjustment, in order to reflect the variation in labour market costs. The majority of respondents agreed with the use of a "hybrid" area cost adjustment, which takes account both the General Labour Market and Teacher salary variations.
- 6.33. The area cost adjustment is applied separately to each schools qualifying allocation once the rest of the formula has been run.

Minimum Funding Guarantee & Gains Cap

- 6.34. The DfE wants under-funded schools to move towards their formula allocations as quickly as possible, but equally that there is sufficient stability for schools facing reductions in funding so that they are able to cope with the pace and scale of those reductions.
- 6.35. Within the consultation document, the DfE have confirmed that under the national funding formula, the Minimum Funding Guarantee (MFG) will continue to operate at minus 1.5% per pupil, in the same way that it does currently.
- 6.36. In addition, the DfE will be introducing a 'floor' to limit the reduction to per pupil funding that any school can incur as a result of this formula. The floor will be set at minus 3% per pupil, compared to the funding currently received and will be calculated slightly differently to the MFG calculation. However, schools funding will continue to fluctuate in responses to changes in pupil numbers, as is the case in the current funding system.
- 6.37. The DfE have also built a gains cap into the national funding formula, which will limit the amount a school can gain under the new arrangements. For 2018-19 the cap is set at 3%, whilst for 2019-20 the cap is set at 2.5%.
- 6.38. Local authorities will be responsible for determining the school funding arrangements locally in 2018-19, so schools allocations in that year will depend on decisions locally about the funding formula.

Potential Impact on funding for Portsmouth

- 6.39. To illustrate the impact of the proposed formulae arrangements, the DfE have published information alongside the consultation documents showing what would have happened to both the funding allocations by Local Authority area and also at a school level, with and without transitional protections. All of the examples are based on the funding and pupil-level data from 2016-17 and therefore are not an indication of actual funding levels for a specific year, as future funding allocations will depend on future pupil numbers and pupil characteristics.
- 6.40. The table below shows both the baseline Schools Block funding data for Portsmouth in 2016-17 and the illustrative funding allocations from the new national funding formula. Based on this illustration, Portsmouth would have received an additional funding allocation of £1,189,112, after transitional protection arrangements³; which equates to a 1.1% increase.

³ Gains capped at 3% per pupil and MFG protection at minus 1.5% per pupil in the 1st year.

	Adjusted Baseline funding⁴ 2016-17 £	New funding formula allocations (2016-17 illustrative only) £
Amount allocated through formula factors	105,318,602	106,505,546
Amount allocated for growth in pupil numbers	528,496	528,496
Amount allocated through premises factors	1,256,668	1,258,836
Total funding	107,103,766	108,292,878

Potential Impact on School level funding

6.41. The financial modelling undertaken by the DfE is based on October 2015 school census data together with information from the 2016-17 local funding formulas. The DfE have compared the output from the proposed national funding formula model to the adjusted baseline school level funding in 2016-17.

6.42. Using the school level data provided by the DfE alongside the consultation, it has been possible to summarise the potential financial impact for individual schools within Portsmouth of the proposals. It should be noted that the information provided by the DfE has been at a summary level and it has not been possible to analyse the specific changes within each of the school level funding allocations. Additionally, the illustrative allocations provided by the DfE are only indicative and any future allocations will depend on actual pupil numbers, pupil characteristics and the premises funding factors.

		Before transitional protection				After transitional protection			
		Infant	Junior	Primary	Secondary	Infant	Junior	Primary	Secondary
Increase	6% - 10%	1	1	-	-	-	-	-	-
	3.01% - 5.99%	1	1	3	7	-	-	-	-
	1.51% - 3%	5	2	4	2	7	4	7	9
	0 - 1.5%	2	7	-	-	2	7	-	-
Decrease	0 - 1.5%	3	1	-	-	7	1	13	1
	1.51% - 3%	4	-	13	1	-	-	-	-
	3.01% - 5.99%	-	-	-	-	-	-	-	-
	6% - 10%	-	-	-	-	-	-	-	-
Maximum increase	50,000	66,000	127,000	294,000	29,000	35,000	65,000	180,000	
Maximum Decrease	(30,000)	(11,000)	(73,000)	(128,000)	(15,000)	(11,000)	(37,000)	(64,000)	
Mean Increase	24,375	21,000	48,143	163,000	19,875	15,909	39,286	121,444	
Mean Decrease	(16,143)	(11,000)	(44,385)	(128,000)	(9,143)	(11,000)	(22,769)	(64,000)	

⁴ Adjustments include the removal of Looked After Children factor and the alternative treatment of resourced units, etc.

- 6.43. The table above shows that the majority (62%) of schools would have received additional funding had the proposed formula been applied in 2016-17. In the secondary sector the proportion of schools that would have seen an increase in funding, rises to 90%.
- 6.44. With regard to the primary sector 41 (85%) of the 48 schools would have seen a movement in funding between -3% and +3% per pupil, before the application of transitional protection. 7 schools would have seen increase between 3.01% and 10% per pupil, however under the proposed transitional arrangements these gains would be restricted to 3% per pupil.

7. Implementation of the National Funding Formula (2018-19 and 2019-20)

- 7.1. In the response to the first stage of the consultation, the government has confirmed that the DfE will move to a 'soft' national funding formula for 2018-19. This means that whilst the DfE will use the national funding formula to calculate local authorities funding allocations, local authorities will still determine individual schools funding allocations through the local formula.
- 7.2. The funding allocation timetable for 2018-19 is expected to be similar to that for 2017-18. However, in the summer of 2017, the DfE will publish indicative schools block funding levels for 2018-19, using the pupil data for 2017-18. The DfE propose to include the MFG and gains cap levels highlighted earlier.
- 7.3. The DfE also propose to use the 2017-18 baselines for 2018-19 allocations. They will carry out a further baseline exercise with local authorities in order to gather information about the split of the 2017-18 DSG between schools, high needs and the central school services block.
- 7.4. In December 2017, the DfE will confirm local authorities' final DSG allocations for 2018-19, by applying the national funding formula per-pupil funding levels to the latest pupil numbers from the October 2017 census. Local authorities will then confirm the final allocations to maintained schools in line with the usual timetable and the EFA will determine the academy allocations for 2018-19 based on the relevant local formula.
- 7.5. The schools block will be ring-fenced in 2018-19. However, the DfE are proposing some flexibility to enable the transfer of funds from the schools block to the high needs block if necessary in 2018-19, following local consultation and with the explicit agreement between the local authority, their Schools Forum and a majority of the primary and/or secondary schools and academies.

- 7.6. From 2019-20, the national funding formula will be used to calculate the vast majority of each individual schools budget. However, it is anticipated that local authorities will continue to have flexibility on some parts of the formula, such as in relation to funding for pupil growth. Further consultation on the precise arrangements for 2019-20 will be undertaken by the DfE.

8. Central School Services Block

- 8.1. The DfE have re-confirmed their intention to create a 'central school service block' which will combine the schools block funding that has been held centrally, (such as funding for the admissions services) with the retained duties element of the former Education Services Grant (ESG).
- 8.2. The total amount of funding that will be distributed through this block for ongoing responsibilities will be calculated by adding the funding available for ESG retained duties and the centrally held DfE spent on ongoing responsibilities.
- 8.3. The DfE propose to distribute funding to local authorities using a simple formulaic approach on a per-pupil basis, together with an element according to a deprivation factor. Both elements will be adjusted for area costs.
- 8.4. The indicative per-pupil rate will be £28.64 and will equate to 90% of the total funding for the central school services block after the area cost adjustment has been applied.
- 8.5. It is proposed that the deprivation factor will be based on the Ever6 FSM data set and equate to 10% of the total funding allocation. The allocation will equate to a per-pupil of £11.62.
- 8.6. The proposed area cost adjustment will be based on the General Labour Market methodology only, rather than the hybrid model which includes the impact of changes in Teachers pay, as the DfE do not consider expenditure to be funded by this block to be affected by changes in teachers' pay. The area cost adjustment factor that is applied to Portsmouth in the funding illustration is 1.040178.
- 8.7. In transitioning to the new arrangements for the 'central school services block', the DfE are proposing to put in place a protection that minimises reductions to 2.5% per pupil in 2018-19 and 2019-20. In order to afford the protection, they are also proposing to allow gains of only 2.4% per pupil in 2018-19. The level of gains will be set annually.
- 8.8. Had this proposed funding arrangement been applied in 2016-17, then Portsmouth would have seen an increase in the level of funding by 2.4% to £787,443 after transitional protection arrangements; although without

the transitional protection this increase would have amounted to 5.5% when compared to the baseline funding levels.

9. High Needs Funding Arrangements

- 9.1. Whereas it is proposed that the funding for mainstream schools will be allocated directly to schools from the Education Funding Agency in future, it is proposed that the other elements of the DSG including High Needs will continue to be managed by Local Authorities (other than the funding for high needs places in Academies). The proposed design of the overall DSG funding system is shown at Appendix 3.
- 9.2. The main changes to the high needs funding arrangements can be summarised as:
 - a. **Introduce a formulaic method for distributing funding** from central to local government from 2018-19 (including Special Education Needs (SEN) and Alternative Provision (AP)).
 - b. **An improvement to the current funding arrangements at local level**, including changes to the way funding is distributed to resourced units.

High Needs Funding Formula Model

- 9.3. The DfE have confirmed that they will be using the funding formula and the related factors proposed within the consultation at stage 1, although they have made some small adjustments in light of the feedback received during the consultation.
- 9.4. This formula will be used to allocate funding from central government to Local Authorities in the future, (instead of the current 'block allocation'). The proposed formula is shown in the diagram below. The DfE have based the model below on the research and analysis undertaken by Isos on their behalf.

Figure 5: The building blocks and factors in the high needs national funding formula

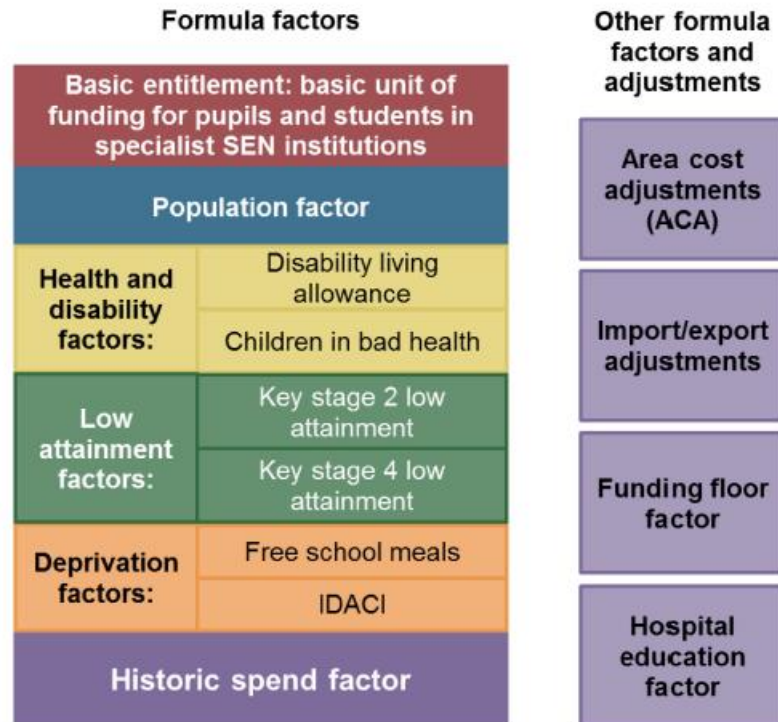


Figure 5: This diagram shows that the formula is comprised of the following: a basic entitlement; factors for population, health and disability, low attainment, deprivation, historic spend, a funding floor and hospital education; and adjustments for area costs and imports/exports.

The funding formula factor weightings

- 9.5. Within the second stage consultation, the DfE are consulting on the relative weightings of each factor. Once the consultation has concluded the final formula weightings, local authority high needs allocations for 2018-19 and beyond will be calculated by applying the formula and transitional arrangements.

Historic Spend Factor

- 9.6. The DfE's initial reference point for introducing a national funding formula is the current high needs funding system. In moving to a formulaic distribution of funding, they are seeking to minimise undue and unmanageable turbulence.
- 9.7. The incorporation of an historic spend factor in the formula is therefore the starting point of the calculation. This will be a cash sum, derived from the local authorities baseline information from 2017-18. The cash sum will equate to 50% of the baseline amount. This will be held as a cash flat

amount in the formula until the formula is reviewed, which will be in 4 years.

Basic Entitlement

- 9.8. Each Local Authority will also receive a basic entitlement allocation through the high needs formula. The funding will be allocated at a flat rate per pupil in a special school or special post-16 institution to mirror what mainstream schools receive through the mainstream funding formula.
- 9.9. It should be noted however that this is intended as a proxy measure, to contribute towards the place funding, and is not intended as an amount that is passed directly to institutions, or for identified pupils and students. The funding rate is proposed to be set at £4,000 per pupil/student as this is the equivalent to the basic entitlement rate in the 16-19 national formula. For 2018-19 the pupil data will be collected from the January 2017 school census and for post-16 institutions, the final Individualised Learner Record return for the 2016-17 academic year.
- 9.10. The DfE have confirmed that they expect the funding for the additional £6,000 required to meet the total £10,000 for each place to come through the historic spend factor and other formula factors and adjustments.

Population

- 9.11. The population factor seeks to distribute funding by reference to the population of children and young people resident in the local authority area, reflecting that in every given population of a certain size there will be a proportion of those with high needs.
- 9.12. In undertaking their analysis, the DfE have assumed that the national incidence of pupils with statements of SEN and education, health and care plans (EHCP's) is a reasonable approximation for the incidence of high needs across the country. Nationally, the DfE have stated that 2.8% of the overall pupil population has a statement of SEN or EHCP% (Portsmouth = 3.1%).
- 9.13. To reflect the association between population and incidence of high need, the DfE are proposing that the population factor weighting is set at 50%. Appendix 4 shows all of the proposed factor weightings.

Deprivation factors

- 9.14. The first deprivation factor that it is proposed to be used, is based on Free School Meal (FSM) eligibility. The DfE are intending to use the data from the school census and alternative provision census collected in the January of each year. For the financial year 2018-19, the DfE will use the January 2017 census and the 'Current FSM' data set.

- 9.15. The DfE will also be using a second deprivation indicator which uses the area-level deprivation data from the Income Deprivation Affecting Children Index (IDACI). In building the funding allocation model, the DfE have decided to use the 6 IDACI bands. The DfE have decided that the best approach for weighting these bands is to use the same weightings that are used in the schools national funding formula.
- 9.16. In determining the weighting for the deprivation factor, the DfE have taken account of the fact that 10% of high needs funding is spent on alternative provision and that, of all the factors other than population, deprivation is most closely correlated to the need for alternative provision as a result of schools exclusions.
- 9.17. Therefore, as shown at Appendix 4, the deprivation factor will account for 20% of the funding through the population and other factors.

Low Attainment, Health & Disability

- 9.18. Low attainment data from the Key Stage 2 and Key Stage 4 results will be used to allocate 15% of funding.
- 9.19. Additionally, 15% will be allocated through the health & disability factor, with half being allocated on the basis of the children in bad health data from the 2011 population census and half using the latest disability living allowance data.

Other adjustments

- 9.20. As shown in the diagram above, a number of other adjustments will be applied to the formula, including:
- Area cost adjustment - which will be applied to all the factors in the formula, except those based on historic spending levels
 - 'Import/export' adjustment - to reflect pupil movements between areas (there will be an adjustment of £6,000 for each pupil who is in an SEN place (not AP), outside of their area of residence
 - Funding Floor Adjustment - no local authority will see a reduction in funding compared to the baseline spending level.

Hospital Education Funding

- 9.21. The DfE have confirmed that no changes are proposed to the distribution of funding for hospital education.

Resourced Units (Inclusion Centres)

- 9.22. The DfE have confirmed that 55% of respondents agreed with proposal to change the way that schools with special units are funded, on the grounds that it would be simpler and more transparent.
- 9.23. The DfE are proposing that from 2018-19, the way that place funding is allocated will be changing. The school budget share will be determined on the basis of the full number of pupils on roll at the school, including those in the special unit or resourced provision. The balance of funding will come from the place funding (at £6,000 per place).
- 9.24. Places not filled by pupils on the school roll at the time of the school census return will continued to be funded at £10,000.
- 9.25. The DfE's diagram below, sets out how this change is proposed to work without impacting on the school budget.

Figure 4: Funding of special units in mainstream schools: example

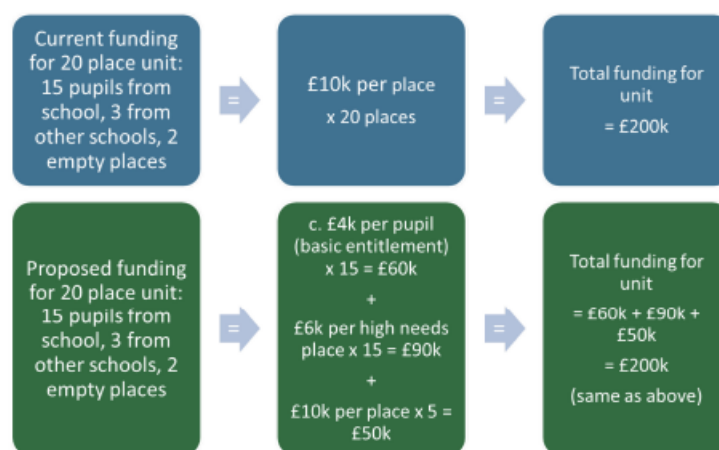


Figure 4: This diagram shows how funding would be calculated for an example unit under current arrangements, and under the new proposal.

Potential Impact on funding for Portsmouth

- 9.26. Alongside the consultation on the proposed changes to the high needs funding arrangements from central government, the DfE have provided an illustrative funding allocation based on the currently available data and compared this to the funding allocation for 2016-17.
- 9.27. The illustrative example shows that Portsmouth would have received an additional funding allocation of £451,000 (an increase of 2.5%) in 2016-17, had the new methodology been applied.

Local Budget Flexibility

- 9.28. The 'hard' schools funding formula will determine the funding for each school and effectively ring-fence the schools funding block, preventing the transfer of that funding into the Council's high needs budget.
- 9.29. A number of respondents to the stage 1 consultation, raised concerns about the proposal to ring-fence the schools block. The DfE highlighted that respondents have argued that the separation of the funding blocks would have an adverse impact on local authorities' and schools' willingness to work in partnership, to take collective responsibility for making special provision for making special provision for pupils, and to cooperate as required by the Children's and Families Act. Additionally, respondents stated that this change would affect local authorities ability to manage the high needs budget.
- 9.30. For 2018-19 the DfE are proposing to provide an opportunity for local authorities to transfer funds, from the funding schools are due to receive through the schools formula to their high needs budget. Local Authorities would have to get the agreement of their Schools Forum and a majority of primary and/or secondary schools and academies (with transfers confined to the primary and secondary elements of the schools block as agreed by phase). The DfE are also considering placing a limit on the amount that could be transferred; and are indicating around 2% or 3% of the high need block allocation.

10. Schools Forum

- 10.1. In advance of the full introduction of the single national funding formula in 2019-20, the DfE propose to carry out a review of the role, functions and membership of Schools Forums.

11. Working Groups

- 11.1. We are not proposing to establish working groups at this time. However, as further information and guidance is made available in the summer; and in particular when the DfE publish the indicative schools block funding levels for 2018-19, (which will be based on the pupil data for 2017-18), we will look to establish an appropriate working group at a suitable time.

12. Reasons for recommendations

The purpose of this report is to provide Schools Forum with an initial summary and impact assessment, of the proposals contained within the 'school funding

formula' consultation documents issued by the Department for Education (DfE) on the 14th December 2016. It is recommended that report is noted.

13. Equality impact assessment (EIA)

This report does not require an Equality Impact Assessment as the recommendations are for noting and do not have any impact upon a particular equalities group.

14. Legal comments

There are no legal implications arising directly from the recommendations in this report.

15. Director of Finance's comments

Financial comments have been included within the body of this report.

Signed by: Alison Jeffery, Director of Children's Services

Appendices:

1. Consultation Response
2. The proposed national funding formula rates and the PCC 2016-17 funding rates
3. Proposed Design of the DSG Funding System
4. High Needs Funding Formula Factor Weightings

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
DfE Stage 2 consultation documents	https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/
'Future Schools Funding Formula Changes' report to Cabinet Member and Schools Forum (May 2016)	http://democracy.portsmouth.gov.uk/ieListDocuments.aspx?CId=335&Mid=3420&Ver=4

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

.....
Signed by:

Appendix 1 - Consultation Response

Mainstream Funding Consultation

1. **In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance?**

Yes.

2. **Do support our proposal to set the primary to secondary ratio in line with the current national average of 1:1.29, which means that pupils in the secondary phase are funded overall 29% higher than pupils in the primary phase?**

Yes.

3. **Do you support our proposal to maximise pupil-led funding, so that more funding is allocated to factors that relate directly to pupils and their characteristics?**

Yes.

4. **Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors (deprivation, low prior attainment and English as an additional language)?**

Yes.

5. **Do you agree with the proposed weightings for each of the additional needs factors?**

Deprivation - pupil based at 5.5%: The proportion is about right

Deprivation - area based at 3.9%: Allocate a higher proportion

Low prior attainment at 7.5%: Allocate a lower proportion

The level of funding allocated through prior attainment will fluctuate to a greater extent by changes in pupil characteristics than deprivation year-on-year. Therefore in order to ensure sufficient funding is allocated for additional needs and that this does not fluctuate significantly year-on-year, we would support a reduction in the prior attainment weighting and an increase in the Deprivation - Area based weighting.

English as an additional language at 1.2%: The proportion is about right

6. **Do you have any suggestions about potential indicators and data sources we could use to allocate mobility funding in 2019-20 and beyond?**

No. This factor has not been used within Portsmouth.

7. **Do you agree with the proposed lump sum amount of £110,000 for all schools?**

Primary - This is about the right amount

Secondary - This is about the right amount

8. Do you agree with the proposed amounts for sparsity funding of up to £25,000 for primary schools and up to £65,000 for secondary, middle and all-through schools?

The sparsity factor is not used within Portsmouth and therefore we are unable to comment.

9. Do you agree that lagged pupil growth data would provide an effective basis for the growth factor in the longer term?

No. Lagged funding will not adequately reflect local growth needs at the time the funding is required.

Allocating growth funding based on historic spend, is unlikely to be an adequate predictor of future growth funding requirements as highlighted within the consultation document. Currently, in setting our annual Dedicated Schools Grant budgets, we are able to factor our annual growth fund requirements in setting the overall schools budgets.

This proposed methodology also continues the potential unfairness for schools in different local authorities. For example:

- Authority A might provide a lump sum payment for a school opening up a new class
- Authority B might provide the equivalent of the AWPU or other formula funding, for each new child expected
- Authority C might not have a growth fund at all.

Alternative proposals would be:

- To allocate growth funding to local authorities based on submitted forecasts.
- To require local authorities to estimate pupil numbers for new basic needs classes on the Authority Proforma Tool and fund accordingly

10. Do you agree with the principle of a funding floor that would protect schools from large overall reductions as a result of this formula? This would be in addition to the minimum funding guarantee.

Yes

11. Do you support our proposal to set the floor at minus 3%, which will mean that no school will lose more than 3% of their current per-pupil funding level as a result of this formula?

Yes

12. Do you agree that for new or growing schools the funding floor should be applied to the per-pupil funding they would have received if they were at full capacity?

The impact of this proposal is still being reviewed and a response will be formulated before submission.

13. Do you support our proposal to continue the minimum funding guarantee at minus 1.5% per pupil? This will mean that schools are protected against reductions of more than 1.5% per pupil per year.

Yes

14. Are there further considerations we should be taking into account about the proposed schools national funding formula?

No comment

15. Do you agree that we should allocate 10% of funding through a deprivation factor in the central school services block?

Yes.

16. Do you support our proposal to limit reductions on local authorities' central school services block funding to 2.5% per pupil in 2018-19 and in 2019-20?

No - limit reductions to less than 2.5% per pupil per year.

It would be more consistent for the transitional protections to this funding block to be aligned to the transitional arrangements applied to schools.

17. Are there further considerations we should be taking into account about the proposed central school services block formula?

No comment

High Needs Funding Consultation

1. In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance?

Yes.

2. We are proposing a formula comprising a number of formula factors with different values and weightings. Do you agree with the following proposals?

- Historic spend factor – to allocate to each local authority a sum equal to 50% of its planned spending baseline
- Basic entitlement – to allocate to each local authority £4,000 per pupil

Yes

3. We propose to use the following weightings for each of the formula factors listed below, adding up to 100%. Do you agree?

- Population – 50%

- Free school meals eligibility – 10%
- IDACI – 10%
- Key stage 2 low attainment – 7.5%
- Key stage 4 low attainment – 7.5%
- Children in bad health – 7.5%
- Disability living allowance – 7.5%

Yes

4. **Do you agree with the principle of protecting local authorities from reductions in funding as a result of this formula? This is referred to as a funding floor in this document.**

Yes.

5. **Do you support our proposal to set the funding floor such that no local authority will see a reduction in funding, compared to their spending baseline?**

Yes.

6. **Do you agree with our proposals to allow limited flexibility between schools and high needs budgets in 2018-19?**

Yes.

7. **Do you have any suggestions about the level of flexibility we should allow between schools and high needs budgets in 2019-20 and beyond?**

We believe there should be a level of flexibility between these two funding blocks in particular regarding the growth of pupils with Education Health and Care plans attending mainstream settings. The flexibility would support the Inclusion agenda where pupils with high needs are educated amongst their peers at a location close to their home.

8. **Are there further considerations we should be taking into account about the proposed high needs national funding formula?**

No comment

9. **Is there any evidence relating to the eight protected characteristics as identified in the Equality Act 2010 that is not included in the Equalities Analysis Impact Assessment and that we should take into account?**

No comment.

Appendix 2 - The proposed national funding formula rates and the PCC 2016-17 funding rates ⁵

Factors and weightings for proposed national funding formula

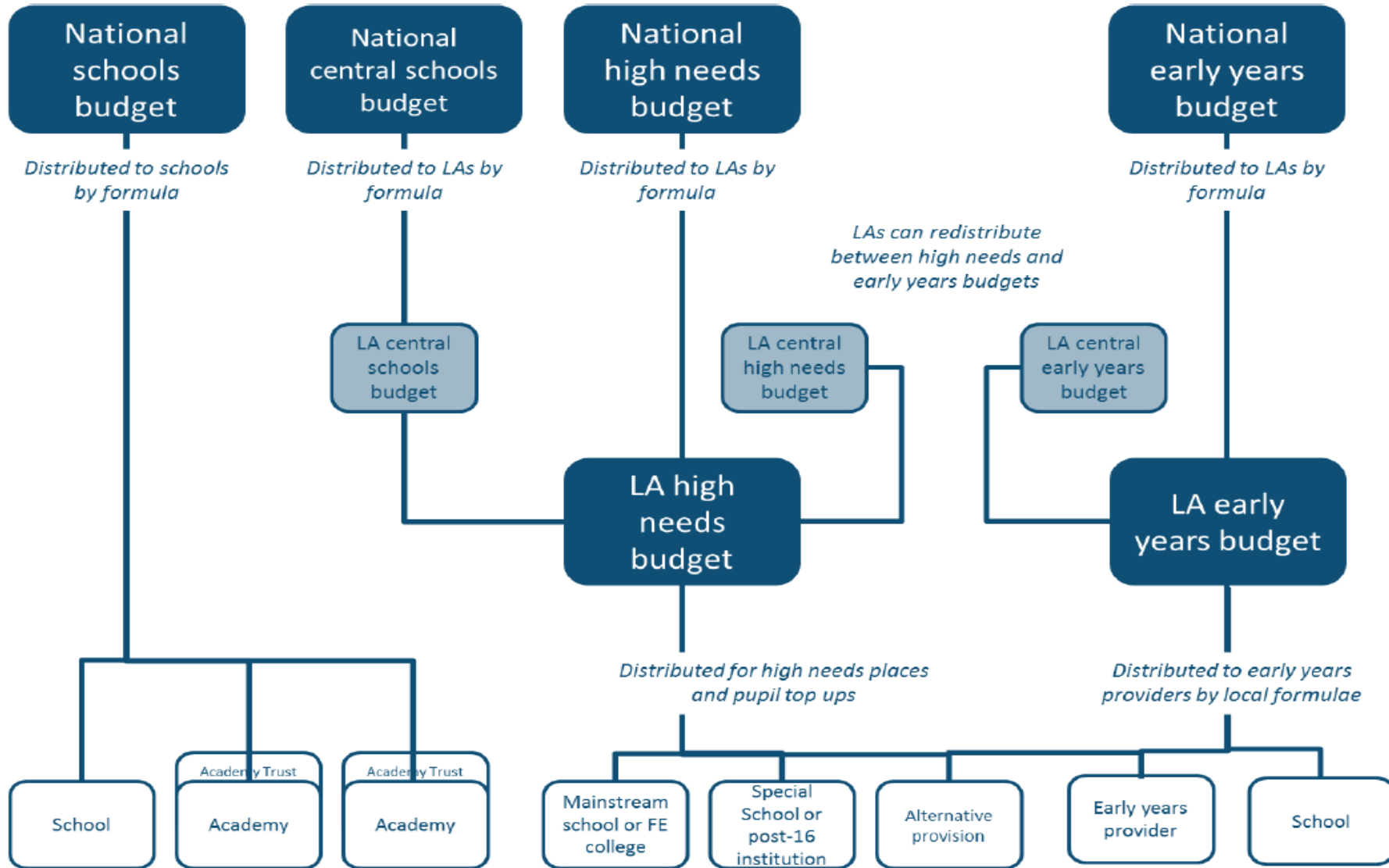
Factor		Proposed weighting	Per pupil funding under NFF			
			Primary		Secondary	
Basic per pupil funding (£ per pupil)		72.50%	KS1	2,712	KS3	3,797
			KS2		KS4	4,312
Deprivation (£ per pupil)	Ever 6 FSM	9.30%	540		785	
	Current FSM		980		1225	
	IDACI A		575		810	
	IDACI B		420		600	
	IDACI C		360		515	
	IDACI D		360		515	
	IDACI E		240		390	
	IDACI F		200		290	
LAC		0	0		0	
Low prior attainment		7.50%	1,050		1,550	
English as an additional language		1.20%	515		1,385	
Mobility		0.10%	N/A		N/A	
Lump sum		7.10%	110,000		110,000	
Sparsity		0.08%	0 - 25,000		0 - 65,000	

Portsmouth 2016-17 local formula

Factor		Portsmouth Weighting	Per pupil funding under Portsmouth Local Formula			
			Primary		Secondary	
Basic per pupil funding (£ per pupil)		74.03%	KS1	2,917	KS3	3,727
			KS2		KS4	4,336
Deprivation (£ per pupil)	Ever 6 FSM	9.96%	237		300	
	Current FSM		0		0	
	IDACI A		1,892		1,270	
	IDACI B		1,577		1,058	
	IDACI C		1,261		847	
	IDACI D		946		635	
	IDACI E		0		0	
	IDACI F		0		0	
LAC		0.27%	2,811		2,811	
Low prior attainment		7.09%	740		2,000	
English as an additional language		0.95%	359		1,822	
Mobility		0.00%	0		0	
Lump sum		6.52%	115,000		139,150	
Sparsity		0.00%	0		0	

⁵ Note: the above table excludes the premises factors which will be funded on a historic spend basis. The mobility factor is not currently used in Portsmouth and will not be used in 2018-19.

Appendix 3 - Proposed Design of the DSG Funding System



Appendix 4 - High Needs Funding Formula Factor Weightings

Figure 7: High needs national funding formula factor weightings

Formula factor	Proposed weightings			Data we have used for illustrative allocations
	SEN (90%)	AP (10%)	Com-bined	
1. Population	50%	50%	50%	Latest population aged 2-18 projection for 2018 from the Office for National Statistics (ONS)
2. Deprivation				
a. Free school meals (FSM) eligibility	8.3%	25%	10%	Number of children eligible for FSM
b. Income deprivation affecting children index (IDACI)	8.3%	25%	10%	Number of children in bands A-F from 2014 ONS population estimates
3. Low attainment				
a. Key stage 2 (KS2) results	8.3%	0%	7.5%	Number of children not achieving level 3 or above in KS2 tests in 2011-15
b. Key stage 4 results	8.3%	0%	7.5%	Number of children not achieving 5+ A* to G GCSEs in 2011-15
4. Health and disability				
a. Children in bad health	8.3%	0%	7.5%	Number of children and young people declared as in bad or very bad health in the 2011 census
b. Disability living allowance (DLA)	8.3%	0%	7.5%	Number of children aged 0-15 for whom parents receive DLA

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