

Title of meeting: Cabinet Member for Education

Date of meeting: 13 October 2016

Subject: Future Changes to Early Years 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 consultation document issued by the Department for Education (DfE) on the 11th August 2016 titled: *'An early years national funding formula - And changes to the way the three-and-four-year-old entitlements to childcare are funded'*.

2. Recommendations

It is recommended that the Cabinet Member:

- a. **Note the Department for Education's proposed changes to the early years funding arrangements for three and four year olds and the potential impact of these changes, as set out within this report,**
- b. **Note the submission of the response to the Department for Education's (DfE's) consultation, as shown at Appendix 1.**
- c. **Note the areas of the existing local funding formula that are to be reviewed in response to the DfE's proposed changes; as set out in paragraph 7.16.**
- d. **Endorse the proposed consultation process with early years childcare providers as set out in section 11.**

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 and a copy of the response submitted is attached at Appendix 1.
- 3.2. This report seeks to provide the Cabinet Member with an initial summary and impact assessment, of the proposals contained within the 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. Underpinning principles

- 4.1. Within the consultation document, the DfE set out the case for changing the early years funding system, so that it better supports their key overarching policy objectives in the early years. These are to:
 - ensure that there continues to be sufficient childcare places as they expand the free entitlement;
 - enable all children to benefit from high quality provision;
 - ensure that the specific needs of individual children are met; and
 - deliver affordable and flexible childcare that meets the needs of working parents.
- 4.2. The proposals presented by the DfE in the consultation document were based around the following principles:
 - maximising funding to the front line (i.e. to early years providers);
 - allocating funding fairly to local authorities and to different types of provider;
 - distributing funding efficiently and effectively to ensure value for money;
 - allocating funding transparently so local authorities and providers can understand how their funding rates were derived;
 - targeting effectively additional funding at those children who need it; and
 - allowing adequate time to transition to the new funding arrangements.

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

5. The proposals

5.1. 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.

5.2. These four areas are analysed in the latter sections of this report.

6. Funding from central government to local authorities

6.1. Within the consultation document it is stated that the government is seeking 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 authorities can pay their local childcare providers a sustainable rate of funding and attract new providers into the market.

6.2. The DfE are therefore proposing to introduce an early year's national funding formula to allocate the funding from central government to local authorities.

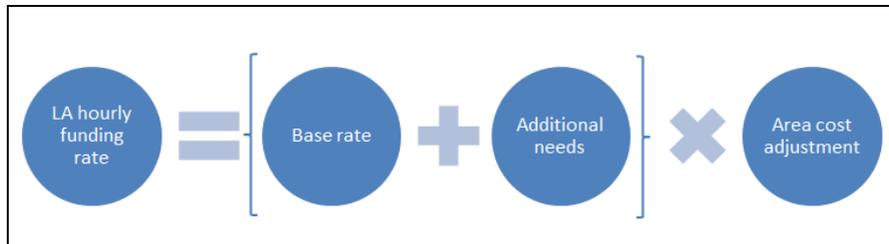
6.3. The same formula and hourly rate of funding will apply to both the existing 15 hour entitlement for all three and four year olds, as well as to the additional 15 hours for children of working parents.

6.4. In line with the existing 15 hour entitlement for all three and four year olds, funding for the additional 15 hours for children of working parents from September 2017 will be provided on a participation basis from the outset.

6.5. In developing the proposed national funding formula, the DfE states that it has drawn on evidence collected from the 'Cost of Childcare Review'² to identify the key drivers of cost variation. The proposed formula contains the following three factors:

² <https://www.gov.uk/Government/publications/review-of-childcare-costs>

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



Universal base rate factor

- 6.6. The universal base rate is intended to fund the core costs of childcare provision which do not vary by local area. The base rate will also not be differentiated by type of provider.
- 6.7. It is also proposed that 89.5% of the total funding for three and four year olds will be channelled through this base rate.

Additional Needs factor

- 6.8. The DfE are proposing that the funding formula includes an element to reflect the additional costs of providing quality early education for children with additional needs. There are three elements to this factor:
- Socio-economically disadvantaged children
 - Special educational needs and disabilities
 - Children with English as an additional language
- 6.9. The funding channelled through this factor will be based on a basket of metrics, which will consist of:
- **Free School Meal (FSM).** This is a proxy measure for the additional costs of providing childcare for children with disadvantage and low level special educational needs. As there is no FSM data for children in early years, it is proposed to use the data for Key Stage 1 and 2 as a proxy measure. *It is proposed that 8% of the total formula funding should be directed through FSM.*
 - **Disability Living Allowance.** This is a proxy measure for children with SEND. *It is proposed that 1% of the total formula funding should be directed through this metric.*
 - **English as an additional language (EAL).** This is a proxy measure for the costs of supporting children who do not have English as a first language. As there is no EAL data for children in early years, it is proposed to use the data for EAL prevalence at

Key Stage 1 and 2. It is proposed that 1% of the total formula funding should be directed through EAL.

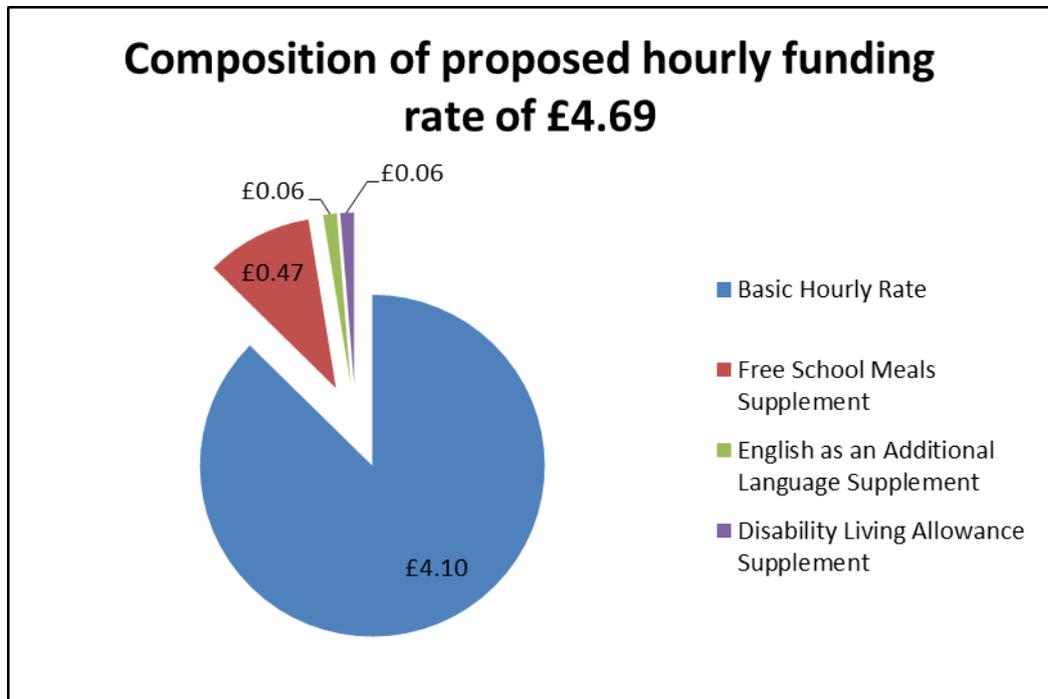
Area Cost Adjustment

- 6.10. It is also proposed to introduce an area cost adjustment that accounts for variations in both staff and premises costs. The adjustment will be applied as a multiplier of both the universal base rate and the additional needs factor.
- 6.11. The area cost adjustment will be calculated for each individual authority and be derived by weighting data from two sources: information on staffing costs and information on nursery premises costs.
- 6.12. The staffing costs will be based on variations in average early years wage costs, using the General Labour Market measure. For premises costs, the DfE intend to base their measure on the rateable values of nursery premises.
- 6.13. Each local authority will be allocated an area cost adjustment rate of between 1 and 1.9. Within the additional data accompanying the consultation document, Portsmouth is shown as having an area cost adjustment rate of 1.16.

The Funding Rate & Potential Impact for Portsmouth

- 6.14. The government have announced that the average funding rate for three and four year olds, will rise to £4.88. However, this is a composite rate and not the amount that will be received via the early year's national funding formula.
- 6.15. Appendix 2 includes an extract from the consultation document, which explains the elements that comprise the rate of £4.88. The national average funding rate for the early years funding formula is £4.71. The indicative proposed funding rate for Portsmouth is £4.69 and is a potential increase of 30 pence on the current hourly funding rate; which will need to support the proposals set out in the consultation.
- 6.16. The re-based Early Years Block funding through the Dedicated Schools Grant currently amounts to £8,578,000. This allocation is based on 3,428.2 part time equivalent pupils being funded at £4.39 per hour.
- 6.17. The DfE published illustrative funding examples alongside their consultation document, which show how Local Authorities would be funded through the proposed new national early years funding formula. Based on the DfE's illustrative examples, Portsmouth would receive £4.69 per hour for each part time equivalent pupil (without transitional

protection or capping), which is comprised of funding through the following components:



- 6.18. With funding at the rate of £4.69 per hour (which includes the area cost adjustment), the illustrative example shows that Portsmouth could see new funding allocation of £9,160,000 which would be an increase of £582,000.
- 6.19. In addition to this funding allocation, the DfE will also provide additional funding on the same basis as above, for the additional 15 hours of childcare for children of working parents from September 2017.
- 6.20. The sections below, explain the proposed changes to the way that Local Authorities fund providers through the local single funding formula, as well as proposed future requirements, constraints and expectations.

7. Local Authority Funding to Providers

Pass-Through Rates

- 7.1. To ensure that the proposed additional investment from the government reaches the early years providers, the DfE is proposing to introduce a high minimum percentage of early years funding that local authorities must pass through to providers (high pass-through).

- 7.2. It is proposed that the high pass-through rate should be set at 95%. Average central spend for three and four year olds is currently 6% nationally and they therefore believe that the 95% pass through is a realistic and appropriate level. However, in order allow authorities to transition, the rate for 2017-18 will be 93%, rising to 95% in 2018-19.
- 7.3. 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.).

Contingency Funds

- 7.4. The DfE recognise that it is reasonable for local authorities to hold back contingency funds for in-year demographic growth and that this should be counted in 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.

Single Universal Base Rate

- 7.5. It is proposed that all local authorities should be required to set a universal base rate in their local single funding formula, which is the same for all providers. Currently there is discretion to pay providers a lump sum to top-up their base rate.

Funding Supplements & Incentives

- 7.6. Currently 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.
- 7.7. Whilst the DfE recognise that the use of supplements can play an important role in local funding allocations, they want to end any potential arbitrary and unjustified differences in funding rates to different providers.
- 7.8. They are therefore proposing to restrict the use of supplements within local authorities early years single funding formula to a set of possible supplements; specifically:
- Deprivation (**mandatory**)
 - Rurality/Sparsity
 - Flexibility - to support providers to offer flexible childcare
 - Efficiency - to encourage providers to exploit the scope for efficiencies identified in the Cost of Childcare Review
 - Delivery of the additional 15 hours free childcare
- 7.9. It is also proposed that the use of supplements within the funding formula is limited 10%.

Current Local Funding Arrangements

- 7.10. The current local single funding formula for childcare provision for three and four year olds in Private, Voluntary and Independent provision, as well as maintained Nursery Units is comprised of a universal base rate, plus a deprivation supplement and in some cases a workforce development supplement; as shown in the table below.

The Universal Base Rate is currently set at £3.77 per hour. In addition to the base rate, a deprivation supplement is also allocated to providers on an incremental scale, which recognises where more than 10% of the children attending are from the 25% most disadvantaged areas of the City. The Council has used 'The Income Deprivation Affecting Children Index' (IDACI) to calculate which band each provider is allocated to. The IDACI shows the percentage of children in families which are 'income deprived'.

Band	% children attending from 25% most disadvantaged areas	Amount per child, per hour	
1	76 - 100%	additional 12% of the base	£0.45
2	51 - 75%	additional 9% of the base	£0.34
3	26-50%	additional 6% of the base	£0.22
4	11-25%	additional 3% of the base	£0.11
5	0-10%	additional 0% of the base	£0.00

- 7.11. In addition, some providers also receive an additional funding allocation of £6,000 for 'workforce planning' which currently amounts annually to around £222,000; and will cease under the DfE's proposals.
- 7.12. In 2015-16, the actual expenditure on early years provision amounted to £8,561,200 and exceeded the funding received by £360,000. Appendix 3 shows an analysis of the 2015-16 early years' expenditure by category.
- 7.13. Portsmouth is a trial area for the additional 15 hours entitlement. The funding for this pilot is currently outside of the Dedicated Schools Grant (DSG). However, from September 2017, this funding will form part of the DSG.

Future Local Funding Proposals

- 7.14. As highlighted above, local single funding formula used for both Private, Voluntary and Independent provision and maintained Nursery Units in Portsmouth, already has a universal base rate and additional deprivation supplement, and therefore already complies with the mandatory proposals set out in the DfE's consultation.
- 7.15. In order to ensure that Portsmouth's formula remains simple, transparent and enables providers to understand clearly the basis on which they have been funded, we are not proposing to include any additional supplements within the local formula.
- 7.16. However, in response to the consultation, we do propose to review the existing funding formula in the following areas:
- **Funding Rates** - we will review the funding rates for both the universal base rate and the deprivation factor, in light of proposal to increase the funding from central government to local government. Any proposed increase in the funding rates to providers will be conditional on the government implementing this proposal.
 - **Deprivation Factor** - currently the deprivation model is based upon the area where the children attending the centre are from. An alternative would be to base the deprivation banding on the area that the provider is located in.
- 7.17. The Early Support Service will consult with providers on any proposed changes to the current funding formula, and the feedback from the consultation will be presented to both Cabinet Member and Schools Forum. More details about the proposed consultation process are set out in section 11.

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

- 8.1. Within the consultation document, the DfE are proposing two different models for allocating additional funding to help address the funding barriers that they believe currently exist in this area.

Disability Access Funding

- 8.2. Whilst the government is clear that the high needs block is for children aged 0-25 year, they believe that the introduction of additional targeted Disability Access Funding (DAF) will support providers to make initial reasonable adjustments and build the capacity of the setting to support disabled children.

- 8.3. The total additional funding available for this new approach is £12.5m per year. They are proposing that 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. It is also proposed that this will be paid as a total annual sum rather than an increase on the hourly rate.
- 8.4. The funding will be paid to the Local Authority as a ring-fenced amount, which they would be responsible for passing directly to providers for each eligible child.
- 8.5. The provider will be responsible for making decisions about how the funding should be deployed. For example, to target one child's specific needs, to improve the setting for a number of children, or to increase the settings capacity to take more disabled children. Over time the DfE intends to develop an evidence base of how this additional funding is used to best effect.
- 8.6. This funding is not intended to cover the total costs of providing childcare for a disabled child in receipt of DLA.

Inclusion Fund

- 8.7. 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.
- 8.8. Therefore in order to build on this best practice, the DfE are proposing that all local authorities should set up an inclusion fund in their local funding systems. They believe that such a structure will support local authorities to work with individual providers to resource support for the needs of individual children with SEN.
- 8.9. To establish the inclusion fund, the DfE are proposing that local authorities should pool an amount of funding from either one or both of their early years and high needs blocks within the Dedicated Schools Grant.
- 8.10. The diagram at Appendix 4 shows the proposed funding system for SEN and disability in the early years.

Existing Early Years SEN Support

- 8.11. Within Portsmouth, the Inclusion Service already has a significant range of support available for children in the Early Years.
- 8.12. 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.

- 8.13. 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.
- 8.14. These existing arrangements will be considered as part of the overall support arrangements, in developing local response to the proposals set out in the DfE's consultation.

9. Transitional arrangements

- 9.1. The DfE is proposing to phase the introduction of the funding changes, while monitoring and reviewing the impact closely, by putting in place a range of measures to minimise turbulence, help with transition and support the introduction of the 30 hours.
- 9.2. 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.

10. 2 Year Old Funding

- 10.1. As the funding for the most disadvantaged two year olds is already on a fair and formulaic basis, it is not covered within the DfE consultation. However they do highlight the previous commitment to uplift the average two year old funding rate from £5.09 to £5.39.
- 10.2. In setting the budget for 2017-18, the current local Portsmouth funding rate for providers will be reviewed, if the government introduces the higher funding rate.

11. Consultation Process

11.1. The Early Support Service will be leading the consultation process with providers:

- A letter will be issued to providers which will set out the proposed changes to the local funding arrangements; in response to the DfE's proposals.
- The consultation with providers is expected to run until late November.
- Engagement workshops will also be held with providers during the consultation period.

11.2. The consultation process with providers will be undertaken in accordance with 'The Schools and Early Years Finance (England) Regulations'. The regulations require that where a local authority proposes to make changes to the local funding formula, which will affect early years providers in its area; it must consult those providers in relation to the factors and criteria taken into account, and the methods, principles and rule adopted.

11.3. Further reports will be presented to future meetings of both the Cabinet Portfolio and Schools Forum, to provide further updates as the DfE's proposals develop and the feedback from providers; as well as seeking approval for the necessary decisions.

12. Reasons for recommendations

The purpose of this report is to provide the Cabinet Member with an initial summary and impact assessment, of the proposals contained within the early years funding consultation documents issued by the Department for Education (DfE) on the 11th August 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

- 14.1 As indicated in paragraph 11, the consultation in relation to changes to local funding arrangements will comply with Regulation 9(3) of the School and Early Years Finance (England) Regulations 2015.

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

15. Director of Finance's comments

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

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

Appendices:

1. Response to consultation
2. The £4.88 Average Hourly Funding Rate
3. Analysis of Actual Early Years Expenditure In 2015-16
4. Proposed funding system for SEN and disability in the early years

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 Consultation documents	https://consult.education.gov.uk/

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

.....
Signed by:



Appendix 1 - Response to Consultation

Q1	<i>Should there be an early years national funding formula (to distribute money from central government to each local authority)?</i>
	Yes. We welcome the proposed introduction of a simple and transparent funding mechanism for Early Years, which will align both the existing 15 hour entitlement for all three and four year olds and the additional 15 hours for children of working parents. Whilst Portsmouth is expected to see an increase in funding through these arrangements, we recognise the importance of an appropriate transitional protection arrangement for those authorities who may experience a reduction in funding.
Q2	<i>To what extent do you agree with the proposed funding floor limit, so that no local authority would face a reduction in its hourly funding rate of greater than 10%?</i>
	We agree that there should be a funding floor limit, to ensure that no local authority or childcare provider faces a sudden reduction in funding. However, we believe that the level of the floor limit should be nearer the minimum funding guarantee for schools and that the reduction be spread over a longer period than 2 years.
Q3	<i>Considering a universal base rate of funding which does not vary by local area....</i> <ul style="list-style-type: none"> • <i>Should a universal base rate be included in the early years national funding formula?</i> • <i>Is 89.5% of overall funding the right amount to channel through this factor?</i>
	Yes. We believe that there should be a universal base rate included within the national early years funding formula, in order to reflect the fact that the core costs of delivering childcare will be similar across the country. In terms of the percentage of overall funding channelled through this factor, we do believe that this should be the majority of the funding allocated through the formula. However, it is difficult to confirm whether or not 89.5% is the correct percentage allocation, without more details as to how this was derived.
Q4	<i>Considering an additional needs factor....</i> <ul style="list-style-type: none"> • <i>Should an additional needs factor be included in the early years national funding formula?</i> • <i>Do we propose the correct basket of metrics?</i> • <i>Do we propose the correct weightings for each metric?</i>
	Yes. We do believe that additional needs factors should be included within the formula, in order to reflect the additional drivers of cost in different areas of the country. Yes. Channelling additional funding through the metrics proposed does appear be reasonable. As there is no detailed supporting evidence within the consultation document, as to the basis on which the weightings were selected, it is difficult to make an informed response.
Q5	<i>Considering an area cost adjustment....</i> <ul style="list-style-type: none"> • <i>Should the early years national funding formula include an area cost adjustment?</i> • <i>Should that adjustment be based on staff costs (based on the General Labour Market measure) and on nursery premises costs (based on rateable values)?</i>
	Yes. We do agree that there should be an area cost adjustment.



Appendix 1 - Response to Consultation

	<p>Yes. We do consider staff costs and premises costs to be appropriate measures for calculating the area cost adjustment. However, if there was a more specific labour market measure for childcare providers, then we would recommend that this is used as an alternative to the 'general labour market' rate.</p>
Q6	<p><i>To implement the increased hourly rate for the two-year old free entitlement....</i></p> <ul style="list-style-type: none"> • <i>Should we retain the current two-year-old funding formula?</i> • <i>Should we use the additional funding secured at the spending review to uplift local authorities' allocations based upon this?</i>
	<p>No. It would seem logical to provide funding for two year old childcare provision on a similar basis as to that of three and four year olds.</p> <p>Yes. Whilst the current formula is in place, it seems a sensible basis on which to allocate the additional funding.</p>
Q7	<p><i>Considering the Dedicated Schools Grant....</i></p> <ul style="list-style-type: none"> • <i>Should the free entitlement be capped at 30 hours for children of eligible working parents and 15 hours for all other children?</i>
	<p>Yes.</p>
Q8	<p><i>Should Government set the proportion of early years funding that must be passed on to providers?</i></p>
	<p>No. Whilst we recognise the importance of allocating as much funding directly to childcare providers as possible, an arbitrary limit removes the ability of local areas to respond to local needs. Placing an arbitrary cap on the amount of funding to be retained centrally, will also constrain local authorities in developing and providing support services to providers.</p> <p>An alternative approach would be to make it a requirement, that Schools Forum annually agree the amount of funding retained centrally in the Dedicated Schools Grant budget.</p>
Q9	<p><i>Do you think that 95% is the correct minimum proportion of the money that should be passed from local authorities to providers?</i></p>
	<p>No. Please see response above on Question 8 regarding the proportion of funding that can be retained.</p>
Q10	<p><i>Should local authorities be required to give the same universal hourly rate to all childcare providers in their area?</i></p>
	<p>Yes. Portsmouth already uses a universal funding base rate for childcare provision in the Private, Voluntary and Independent sector, as well our maintained nursery units.</p>
Q11	<p><i>Should local authorities be able to use funding supplements?</i></p>
	<p>Yes.</p>
Q12	<p><i>Should there be a cap on the proportion of funding that is channelled through supplements?</i></p>
	<p>As with the national Early Years Funding Formula, we believe that the majority of funding should be channelled through the universal base rate. However, placing an arbitrary cap on the proportion of funding that is channelled through supplements; may reduce the</p>



Appendix 1 - Response to Consultation

	flexibility to allocate funding locally to meet local needs.
Q13	<i>If you agree that there should be a cap on the proportion of funding that is channelled through supplements, should the cap be set at 10%?</i>
	See comment above to Question 12. There should be no cap set on the proportion of funding to be channelled through supplements.
Q14	<i>Should the following supplements be permitted?</i> <ul style="list-style-type: none">• <i>Deprivation, sparsity / rural areas, flexibility, efficiency, additional 15 hours</i>
	Yes.
Q15	<i>When using funding supplements, should local authorities have discretion over the metrics they use and the amount of money channelled through each one?</i>
	Yes. Local authorities should be given the freedom of flexibilities to use funding supplement metrics that they choose, design and define and they should also have the freedom to decide on the amount of money to be channelled through each one.
Q16	<i>If you agree that efficiency / additional 15 hours should be included in the set of supplements, do you have a suggestion of how it should be designed?</i>
	No comment.
Q17	<i>If you think any additional supplements should be permitted which are not mentioned here, please set out what they are and why you believe they should be included?</i>
	No comment.
Q18	<i>Should there be a Disability Access Fund to support disabled children to access their free entitlement?</i>
	Yes. Additional funding to providers to enable disabled children to access their free entitlement is welcomed.
Q19	<i>Should eligibility for the Disability Access Fund be children aged 3 or 4 which are a) taking up their free entitlement and b) in receipt of Disability Living Allowance?</i>
	No. We believe that all providers should be able to access the additional funding, in order to enable them to support disabled children in accessing their free entitlement. The current proposal suggests that the new Disability Access Funding will only be allocated to those providers that already support disabled children to access their free entitlement.
Q20	<i>When it comes to delivering the Disability Access Fund, is the most appropriate way the existing framework of the Early Years Pupil Premium?</i>
	No. See answer response to Q19.
Q21	<i>To what extent do you agree that a lack of clarity on how parents / childcare providers can access financial support results in children with special educational needs receiving appropriate support? (We mean children who do not already have an Education, Health and Care Plan)</i>
	We think this is best responded to by parents / childcare providers, rather than by representatives of Local Authorities.



Appendix 1 - Response to Consultation

Q22	<p><i>When it comes to establishing an inclusion fund....</i></p> <ul style="list-style-type: none"> • <i>Should local authorities be required to establish an inclusion fund?</i> • <i>Would an inclusion fund help improve the supply of appropriate support children receive when in an early years setting?</i> • <i>If you envisage any barriers, arising from existing practice or future proposals, to introducing a new requirement on local authorities to establish an inclusion fund, please tell us what they are and how they might be overcome.</i>
	<p>If local authorities are required to establish an inclusion fund, then additional resources should be provided for this. Portsmouth already has a small inclusion fund to support early years settings to support children with special educational needs. Our concern with this proposal is that it will establish an expectation among parents and professionals that this is in some way new funding and will therefore increase the demand on this very limited and already stretched resource. Local authorities should have as much flexibility as possible in the allocation of this funding as this will need to be aligned with other SEN support that is available and fits with existing local processes.</p>
Q23	<p><i>When it comes to the SEN inclusion fund, should local authorities be responsible for deciding....</i></p> <ul style="list-style-type: none"> • <i>The children for which the inclusion fund is used?</i> • <i>The value of the fund?</i> • <i>The process of allocating the funding?</i> • <i>Where specialist SEN or SEND services are delivered free at the point of use, should they be considered as funding passed directly to providers for the purposes of the 95% high pass-through?</i>
	<p>Yes. As noted above the response to Question 22, we believe that local authorities should have as much flexibility as possible in the allocation of this funding as this will need to be aligned with other SEN support that is available and fit with existing local processes</p>
Q24	<p><i>To what extent do you agree with the transition approach proposed for the Early Years National Funding Formula (money distributed from Government to local authorities)?</i></p>
	<p>Whilst we welcome additional funding being allocated as quickly as possible to those areas previously underfunded. We believe that any loss in funding to those areas previously overfunded should be spread over a longer period than 2 years in order to not adversely affect provision in those areas.</p>
Q25	<p><i>To what extent do you agree with the transition approach proposed for the high pass-through of early years funding from local authorities to providers?</i></p>
	<p>We disagree with the proposals in respect of the high pass-through rate, and the related transitional arrangements, for the reasons explained in response to Q8.</p>
Q26	<p><i>To what extent do you agree that our proposals on the high pass-through of funding from local authorities to childcare providers makes the existing Minimum Funding Guarantee for the early years unnecessary?</i></p>
	<p>If the high pass-through is implemented, the proposals remove the requirement for a Minimum Funding Guarantee.</p>
Q27	<p><i>To what extent do you agree with the transition approach proposed for introducing the universal base rate for all providers in a local authority area?</i></p>



Appendix 1 - Response to Consultation

	<p>Agree. As mentioned previously, Portsmouth already uses a universal funding base rate for childcare provision in the Private, Voluntary and Independent sector, as well our maintained nursery units.</p>
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Appendix 2 - The £4.88 Average Hourly Funding Rate *(extract from the DfE Consultation document)^*

Following the Cost of Childcare Review, the Government committed to deliver a new national average funding rate of £4.88 for three- and four-year olds, including the Early Years Pupil Premium (EYPP). This annex shows how the £4.88 is comprised.

Component 1: Early years national funding formula

1. As explained at paragraphs 120-121 [*of the consultation document*], the formula calculates the hourly rate each local authority receives for each child, based on a base rate, factors for additional needs and an area cost adjustment. The hourly rate is then multiplied by the number of hours taken to calculate each local authority allocation.

Component 2: Maintained nursery schools [MNS]

2. As set out in paragraph 149 [*of the consultation document*], we want to minimise disruption and reassure maintained nursery schools on their position.

3. In order to do this, the Government will provide supplementary funding of £55 million a year to local authorities for maintained nursery schools for at least two years. This additional funding takes account of maintained nursery schools' current costs and will provide much needed stability to the nursery school sector while they explore how to become more sustainable in the longer term, including exploiting scope for efficiencies.

Component 3: Quality and expertise

4. The Government wants to fully utilise the quality and expertise that exists in the system, and give additional support to disadvantaged areas. Therefore we have set aside £5 million a year for this purpose. More details about this funding will be announced in due course.

Component 4: Early Years Pupil Premium [EYPP]

5. The Early Years Pupil Premium was introduced in April 2015 and we are committed to maintaining it at £302 per eligible child per year (pro-rata for children who access less than the full 15-hour early years entitlement). This funding will continue to be channelled through the Dedicated Schools Grant, but will remain outside the early years national funding formula.

Component 5: Disability Access Funding

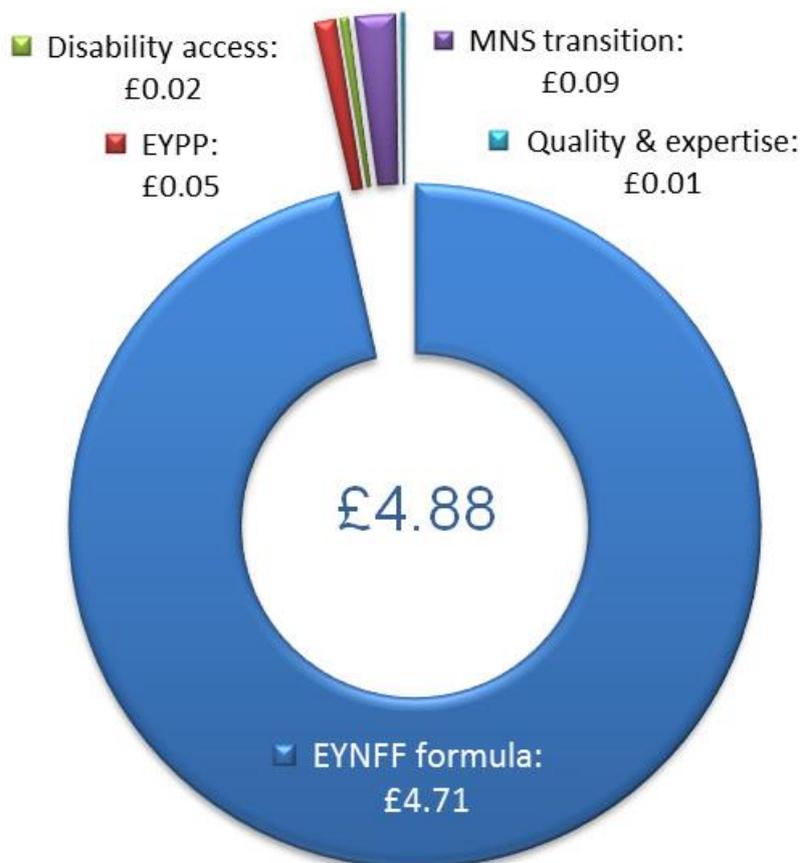
6. As explained at paragraphs 191-197 [*of the consultation document*], we believe that the introduction of additional targeted Disability Access Funding will support providers to make initial reasonable adjustments and build the capacity of the setting to support disabled children. The total additional funding available for this new approach is £12.5 million per year. We propose that the targeted Disability Access Fund will be paid to all providers for each child in receipt of Disability Living Allowance taking up a place in their setting.

[^] Extract from: 'An early years national funding formula - And changes to the way the three-and-four-year-old entitlements to childcare are funded'

Appendix 2 - The £4.88 Average Hourly Funding Rate (extract from the DfE Consultation document)^

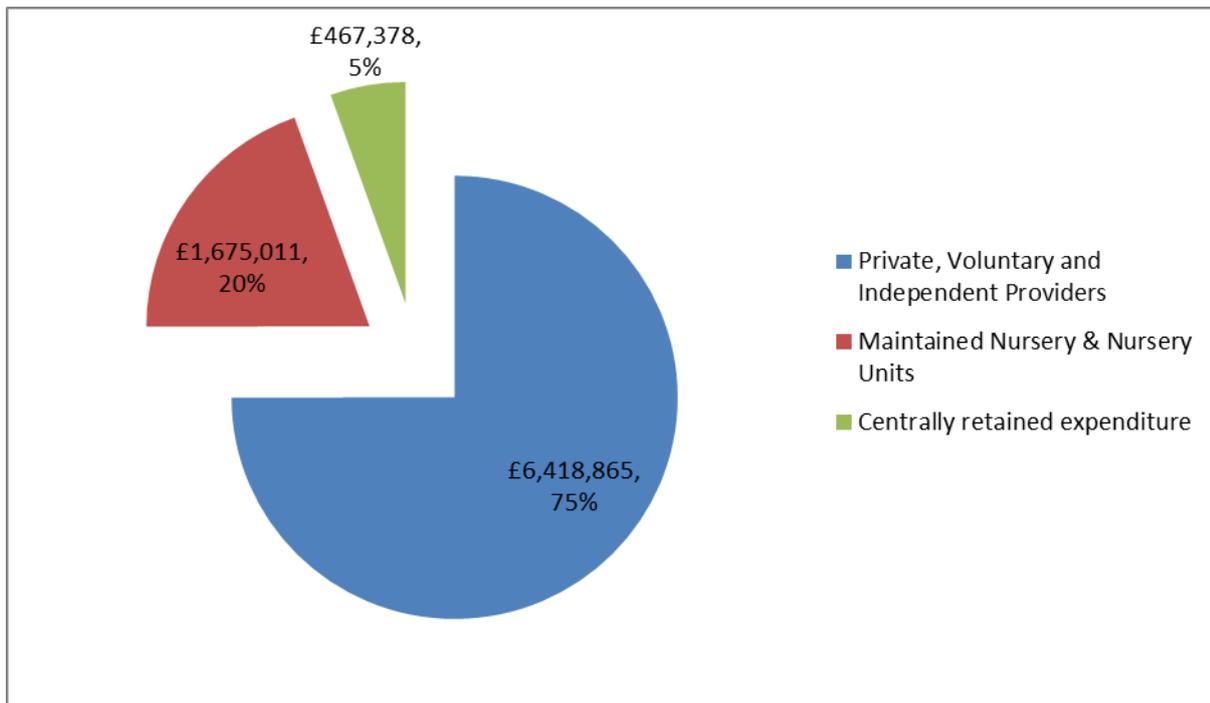
The £4.88 Funding Rate

7. This diagram illustrates what makes up the £4.88 national average funding rate. The figures given are the equivalent hourly rate for all three- and four-year old children, rather than the rates applying to, for example, an individual child eligible for the EYPP or the Disability Access Fund.

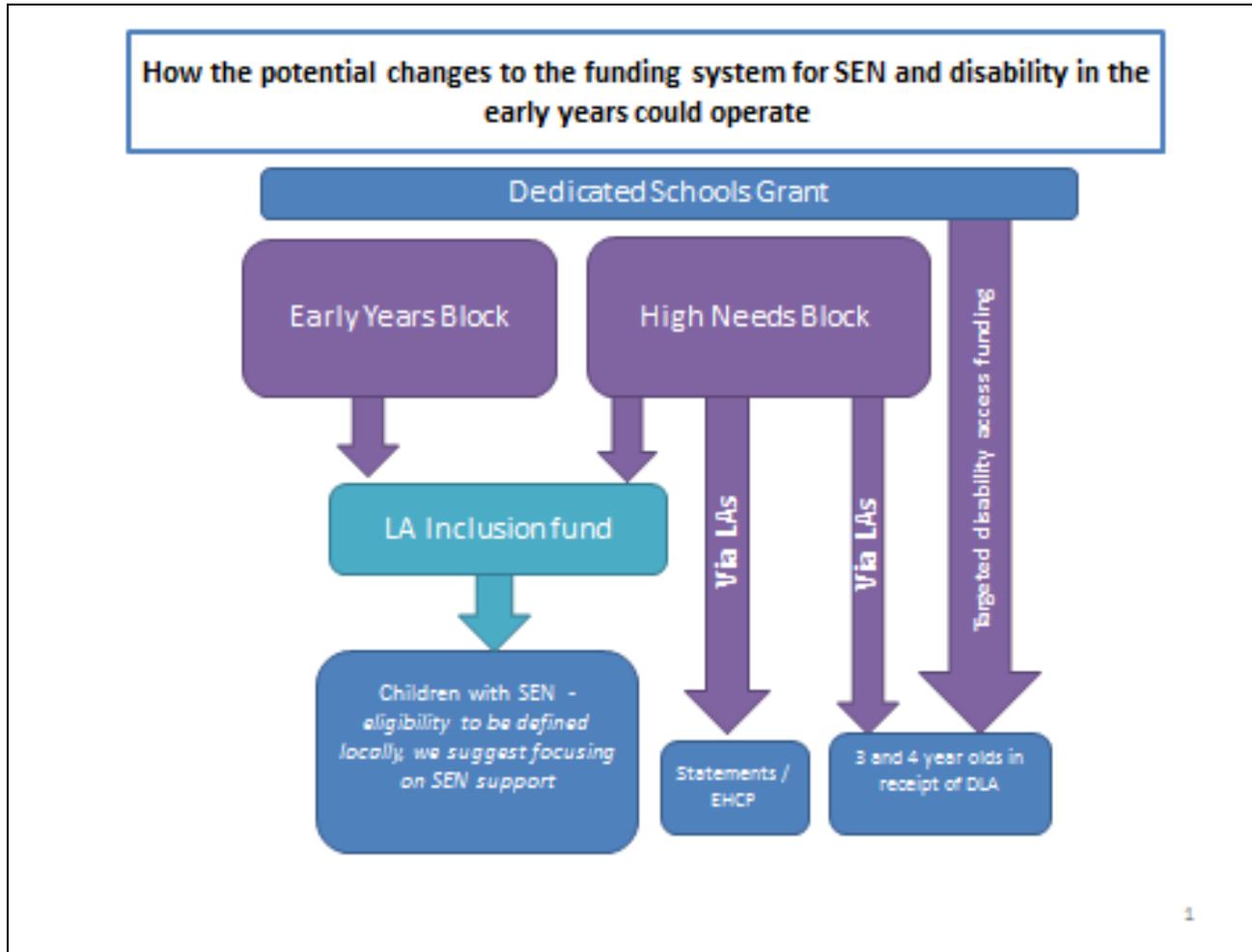


^ Extract from: 'An early years national funding formula - And changes to the way the three-and-four-year-old entitlements to childcare are funded'

Appendix 3 - Analysis of Actual Early Years Expenditure In 2015-16



Appendix 4 - proposed funding system for SEN and disability in the early years[^]



[^] Extract from: 'An early years national funding formula - And changes to the way the three-and-four-year-old entitlements to childcare are funded'

