

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

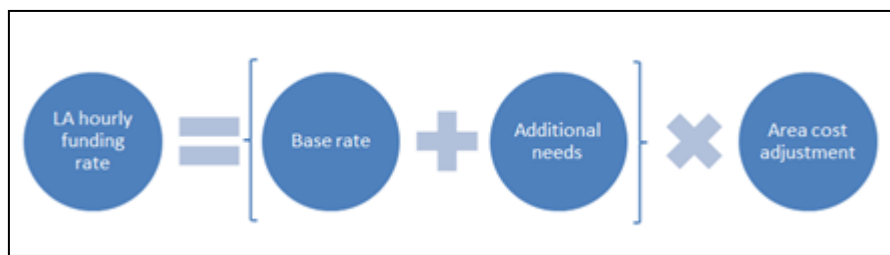
- 4.1. The government's proposals seek to ensure that the distribution of the proposed additional investment in childcare is allocated in a fair, simple, transparent and evidence based way; in order to ensure that local

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.

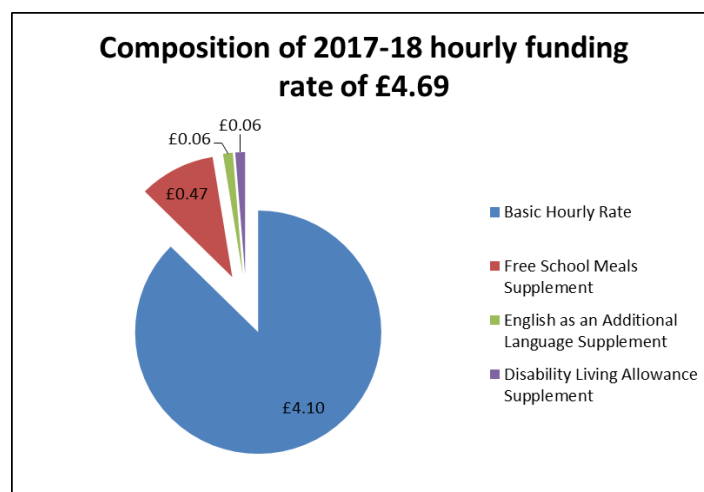
4.2. The DfE have confirmed that from April 2017 they will be implementing an early year's national funding formula to allocate the funding from central government to local authorities. The same formula and hourly rate of funding will apply to both the existing 15 hour entitlement for all 3 and 4 year 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

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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



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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.



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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.



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	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.



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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



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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)

