

Children and Families Committee

Date of Meeting:	13 February 2023
Report Title:	Schools Funding Formula and Early Years Funding Formula 2023/24
Report of:	Deborah Woodcock, Executive Director of Children's Services
Report Reference No:	CF/39/22-23
Ward(s) Affected:	All

1. Purpose of Report

- 1.1. To provide committee with an update on the Dedicated School Grant (DSG) for 2023/24.
- 1.2. To request approval for the allocation of each sub block making up the DSG.
- 1.3. To request approval of the schools funding formula and early years funding formula following recommendations from the Schools Forum.
- 1.4. To request approval to provide delegated authority to the Executive Director of Children's Services to use the funds in accordance with the relevant guidance and proposed funding formula methods.
- 1.5. This is supporting the council's Corporate Plan objectives as follows:

An open and enabling organisation	Ensure that there is transparency in all aspects of council decision making.
A council which empowers and cares about people	Support all children to have the best start in life. Ensure all children have a high quality, enjoyable education that enables them to achieve their full potential.

2. Executive Summary

- 2.1. The report sets out the details of the four DSG funding blocks and requests approval for each block.
- 2.2. The report sets out the process to:
 - 2.2.1. Determine the schools funding formula for 2023/24 and requests approval of the formula by Children and Families Committee. It is a requirement for Children and Families Committee to approve the schools funding formula taking into account the recommendation from Schools Forum.
 - 2.2.2. Determine the early years funding formula for 2023/24 and requests approval of the formula by Children and Families Committee. It is a requirement for Children and Families Committee to approve the early years funding formula taking into account the recommendation from Schools Forum.
- 2.3. The report provides details of the planned high needs block and central schools services block budgets which comply with DFE guidance on use of these funds and requests approval for those allocations. Information on these funds will be shared with Schools Forum for transparency and discussion.
- 2.4. The report requests approval to delegate authority to the Executive Director of Children's Services to use the funds in accordance with the relevant guidance and proposed funding formula methods.

3. Recommendations

Schools Block

That the committee approves the following for the adoption of the Schools Funding Formula 2023/24:

- 3.1. The use of a local funding formula that uses the Department for Education (DfE) national funding formula factors, uplifted for the Cheshire East area cost adjustment, and with any additional funding being allocated via the basic entitlement factor. The formula factors are set out at **Appendix 2**.
- 3.2. The use of +0.5% as the minimum funding guarantee percentage.
- 3.3. The creation of a local Growth Fund at a value of £0.8m.

- 3.4. Provides delegated authority to the Executive Director of Children's Services to use the schools block grant and the mainstream schools additional grant in accordance with relevant guidance.

Early Years Block

That the committee approves the following for the adoption of the Early Years Funding Formula for 2023/24:

- 3.5. The continued use of the current funding formula and an increase in the hourly rates by the same percentage increase as the increased funding from the DfE.
- 3.6. The new funding rates. The rates for 2022/23 and the proposed rates for 2023/24 are set out at **Appendix 4**.
- 3.7. Approves funding to support children learning English as an additional language with effect from 1 April 2023. Westminster Nursery School, Crewe, would currently qualify for this funding.
- 3.8. Provides delegated authority to the Executive Director of Children's Services to use the early years grant in accordance with relevant guidance.
- 3.9. That the committee delegates authority to the Director of Strong Start, Family Help and Integration to enter into revised contracts with providers in accordance with the DfE funding increase.

High Needs Block

- 3.10. That the committee approves the provisional budget allocations of the high needs block and additional high needs funding as set out in **Appendix 5**.
- 3.11. Provides delegated authority to the Executive Director of Children's Services to use the high needs block and additional high needs funding in accordance with relevant guidance.

Central Schools Services Block

- 3.12. That the committee approves the provisional budget allocations and use of the Central Schools Services Block as per **Appendix 6**.
- 3.13. Provides delegated authority to the Executive Director of Children's Services to use the Central Schools Services grant in accordance with relevant guidance.

4. Reasons for Recommendations

The Schools Funding Formula 2023/24:

- 4.1. The local authority is required to review the schools funding formula on an annual basis and consult with schools. The recommended formula has been developed through a Schools Forum working group. It has been subject to consultation with all mainstream schools and then voted on at Schools Forum.
- 4.2. The formula needs to be considered and approved each year by Children and Families Committee under current guidance. This step maybe removed in due course when the national funding formula is applied at school level by the DfE.

The Early Years Funding Formula 2023/24

- 4.3. The DfE has funded local authorities under the Early Years National Funding Formula (EYNFF) since April 2017 when the current formula was introduced on a phased basis during 2017/18 and 2018/19.
- 4.4. The recommended formula continues to be in line with the national guidance, ensures sustainability of the childcare market and continues to target funds to 'narrow the gap' between children from disadvantaged areas and their peers.
- 4.5. Local authorities may retain a maximum of 5% of the allocation from the DfE. Cheshire East retains 5%. Therefore, a minimum of 95% of any increase in the funding from the DfE must be passed through to providers. Increasing the hourly rates paid by Cheshire East to providers by the same percentage increase as the hourly rates allocated by the DfE to Cheshire East ensures that the statutory 95% pass through to providers is maintained.

High Needs Block 2023/24

- 4.6. The High Needs Block is provided to the council to meet its responsibilities regarding special educational needs and disabilities. The initial DfE allocation for 2023/24 is £54.1m plus an additional allocation has been provided of £2.3m giving a total of £56.4m.
- 4.7. The use of the funds is split between the forecast number of placements needed for the year (place and pupil funding) in mainstream settings, special schools and independent settings and funding for associated support services such as autism and sensory services.

- 4.8. The detailed spending plans are determined by a mix of the council's DSG Management Plan approved by Children and Families Committee in September 2022 and the latest information on activity levels predicted in 2023/24.

Central Schools Services Block 2023/24

- 4.9. The Central Schools Services Block is allocated to the council for a number of different services. The initial DfE allocation for 2023/24 is £2.4m.
- 4.10. The Central Schools Services Block is split into two elements: historic commitments and ongoing responsibilities and provides funding for a number of areas including contributions to statutory posts.
- 4.11. Schools Forum have agreed to the allocations where required to do so and committee are being asked to agree to the provisional budget allocations.

5. Other Options Considered

- 5.1. Setting of the schools funding formula and the setting of the early years funding formula are determined by different operational guidance notes produced by the DfE.
- 5.2. In both cases the council has followed the prescribed processes to arrive at the recommendations being presented to Children and Families Committee as set out below.

The Schools Funding Formula:

- 5.3. The process to consider and consult on particular options for the schools funding formula was undertaken by a sub-group of Schools Forum.
- 5.4. Given the local circumstances of being close to the national funding formula at school level and the expectation that the DfE will make that compulsory in the next few years then the options were intentionally restricted to two different levels of minimum funding guarantee (MFG) percentage (0% and +0.5% were used).
- 5.5. Full details of the two different levels were provided to schools as part of the consultation and they preferred the +0.5% option which is being recommended. Please refer to paragraph 7.1 Consultation and Engagement below.
- 5.6. In previous years higher levels of MFG were available but the DfE reduced the maximum MFG percentage in the national funding formula (NFF) from +2% to +0.5%. The NFF applies these without capping or scaling. That cannot be achieved in Cheshire East at present due to affordability constraints.

Early Years Funding Formula

- 5.7. A range of factors for the funding formula were considered when it was introduced. These are set out within **Appendix 3**. The objectives have not changed, and the formula continues to be appropriate. This was agreed in consultation with the Early Years Reference Group (EYRG) in line with statutory guidance.

High Needs Block

- 5.8. The allocations represent the planned costs of demand in each area. The council is required to comply with the SEND code of practice and funding guidance meaning there are no alternative options. This will be subject to in-year monitoring and adjustment to meet children's needs.
- 5.9. Projects to mitigate expenditure on the high needs block have been presented to committee as part of the DSG Management Plan report in September 2022.

Central Schools Services Block

- 5.10. The allocations represent the planned cost in each area. The allocations have been reviewed and where necessary approved by Schools Forum.

6. Background

General

- 6.1. The council receives the Dedicated Schools Grant (DSG) funding as a ring-fenced grant to pay for education, early years provision, high needs provision and certain prescribed supporting central functions. The Grant is received in four blocks and local decisions are made over the use of the blocks and the basis for allocation to settings and services.
- 6.2. The NFF announcements mean that each DSG block is determined by the DfE using a different national funding formula. These are based on a mix of census and proxy data.
- 6.3. The final DSG figures for 2023/24 were released on 16 December 2022. Further information is provided at **Appendix 1**. The allocations are summarised in the table below:

Cheshire East - DSG Block Allocations	2022/23	2023/24	Year on Year	Year on Year
	Nov 2022	Dec 2022	Change	Change
	£m	£m	£m	%
Schools Block	254.7	270.5	15.8	6.2%
Mainstream Schools Additional Grant	7.4	9.1	1.7	23.0%
Total Schools Funding	262.1	279.6	17.5	6.7%
High Needs block	48.9	54.1	5.2	10.6%
Additional High Needs Funding	1.8	2.3	0.5	27.8%
Total High Needs Funding	50.7	56.4	5.7	11.2%
Central Schools Services Block	2.6	2.40	-0.2	-7.7%
Early Years block (not available until Dec 2022, 22/23 fig used for July 22)	23.9	25.2	1.3	5.4%
Total	339.3	363.6	24.3	7.2%

Schools Funding Formula:

- 6.4. The Schools Forum continues to have the ability to recommend the schools formula funding to the Children and Families Committee. The Forum follows a process of evaluation, consultation and debate to arrive at the final recommendation.
- 6.5. The recommendation from Schools forum on 8 December 2022 is being presented to Children and Families Committee for consideration.
- 6.6. The recommended model includes the setting of a minimum funding guarantee of +0.5%. This means that individual school funding levels should increase by at least +0.5% compared to the 2022/23 levels (subject to the items included in minimum funding guarantee protection) and excluding pupil number changes.
- 6.7. The recommendation also includes setting a local growth fund at £0.8m for 2023/24. This will be held back initially and used to recognise additional classes and additional pupils from the October 2022 census to the October 2023 census. It will be paid out to schools in February 2024.
- 6.8. Following release of the modelling tool containing October 2022 school census data the council has been able to determine schools block funding for each school. The recommended schools formula factors and values from the model are set out at **Appendix 2**.
- 6.9. As the area is very close to using the NFF at school level most of the factors match the ones used by the DfE. Specific points to note are that the mandatory minimum per pupil funding levels set by the DfE have been met and the scaling back to fund the +0.5% minimum growth is very low.

- 6.10. The outcome of the Children and Families Committee meeting will be reported to the Schools Forum on 16 February 2023. School funding levels have to be issued to schools by 28 February 2023.

Early Years Funding Formula:

- 6.11. From 1 April 2017 local authorities have been funded via the Early Years National Funding Formula. (EYNFF)
- 6.12. Following detailed modelling of the formula and consultation, a formula was implemented on 1 April 2017 that met a number of criteria and objectives.
- 6.13. Further details of the EYNFF are set out at **Appendix 3**. The current funding formula to providers is set out in **Appendix 4**.
- 6.14. The table summarises the hourly rates of funding from the DfE:

	2 year olds	3&4 year olds
2022/23	£5.65	£4.61
2023/24	£5.71	£4.87
Increase (£)	£0.06	£0.26
Increase (%)	1.1%	5.64%

- 6.15. Retaining the formula and increasing the hourly rates paid to providers by the same percentage increase as the rate paid by the DfE will ensure that the minimum 95% pass through rate is maintained and the objectives set by the formula continue to be met. The proposed funding to providers, effective from 1 April 2022, is set out in **Appendix 4**.
- 6.16. Prior to 2022/23, the base rate paid by Cheshire East increased very slightly over time due to rounding up the formula to the nearest 1p. The formula was rounded down in 2022/23 to ensure that the funding allocated to providers did not exceed the allocation from the DfE. It is recommended that the base rate formula should not be rounded up to avoid spending more than the funding allocation.
- 6.17. Rounding down the base rate from 3 decimal places to 2 decimal places to avoid spending more than the funding allocation will create a small saving. The rounding down could range from £0.001 to £0.009. Consequently the saving will vary year on year depending on the allocation.
- 6.18. The saving must remain within the funding formula paid to providers to ensure the 95% pass-through requirement is met. It is recommended that the saving from rounding the base rate should create a new element of the

early years funding formula to provide very targeted support for English as an Additional Language (EAL).

- 6.19. The funding allocation from the DfE includes an element for EAL. The DfE does not collect data on EAL in early years. Therefore, EAL in Key Stage 1 and Key Stage 2 levels is used as a proxy to calculate this component.
- 6.20. It is recommended that the funding for EAL should be allocated to group based providers using a similar proxy where:
 - 6.20.1. The provider is located in the school catchment area of the primary school with the highest proportion EAL in the borough , and
 - 6.20.2. EAL exceeds 60% of the Free early education entitlement (FEEE) children.
 - 6.20.3. Where there is more than one eligible provider, the funding will be distributed based on the number of FEEE children on roll at the annual early years census. The funding will be paid over the 3 terms.
 - 6.20.4. This element of the formula to be reviewed on an annual basis.
- 6.21. The proposal was presented to the Schools Forum on 8 December 2022 and unanimously supported.

High Needs Block

- 6.22. The high needs block is used for meeting the costs of pupils with an education, health and care plan (EHCP).
- 6.23. The volume of pupils with an EHCP has significantly increased since 2016 and now significantly exceeds funding levels. However the national funding formula does not fully recognise this increase. This has resulted in a significant deficit position which is being
- 6.24. Children and Families Committee have received a number of reports on this matter recently and the council is participating in the delivering better value programme.
- 6.25. This report sets out the provisional allocations of the high needs block in 2023/24 at a high level for approval.
- 6.26. These provisional allocations are informed by the DSG Management Plan approved by committee in September 2022, the latest information on demand in 2023/24 and the impact of existing and new mitigating activity.
- 6.27. The forecast mitigated DSG Reserve deficit as at 31 March 2024 is £63.6m. This aligns with the DSG Management Plan.

Central Schools Services Block

- 6.28. The CSSB was created under the National Funding Formula (NFF) changes from 2018/19. It represents the collation of items previously top-sliced from the schools block for specific costs in relation to historic commitments and on-going central functions.
- 6.29. It also includes funding for statutory functions that were previously met by the former Education Services Grant prior to it being rolled into DSG.
- 6.30. Several CSSB funded services are subject to a limitation of no new commitments or no increases in expenditure after 2017/18.
- 6.31. Since 2020/21 the DfE has applied a 20% year on year reduction to the historic commitments element and that has continued into 2023/24. The expectation is that similar reductions will be applied in future.
- 6.32. This is placing a pressure on the prudential borrowing element and the council's base budget is now being used instead through budget growth in the MTFS.

7. Consultation and Engagement

- 7.1. Setting of the schools funding formula and the setting of the early years funding formula are determined by different operational guidance notes produced by the DfE. Links to these documents are provided in the "Background Papers" section of the report. As such the two blocks are subject to different consultation arrangements.
- 7.2. In both cases the council has followed the prescribed processes to arrive at the recommendations being presented to Children and Families Committee.
- 7.3. Details of the local schools funding consultation are included at **Appendix 1**.
- 7.4. The Early Years Reference Group (EYRG), a sub-group of the Schools Forum which consists of 9 members from across the early years sector, was consulted on 9 and 25 November 2022. Attendees of the meeting supported the proposed approach. The proposal was presented to the Schools Forum on 8 December 2022 and was unanimously supported.
- 7.5. The council does not have to consult on the use of the high needs block but continues to work closely with school representatives on the Schools Forum and the SEND partnership group.
- 7.6. Use of the central schools services block has to be, in part, agreed by the Schools Forum and this approval was granted on 8 December 2022.

8. Implications

8.1. Legal

- 8.1.1. The local authority currently receives funding for schools through the Dedicated Schools Grant. The local authority has the statutory responsibility under the Schools and Early Years Finance Regulations for allocating this funding to schools and must consult with the Schools Forum to determine the individual schools budget for all schools in the area and must have regard to DFE guidance: The national funding formulae for schools and high needs :2023 - 2024 (July 2022)(‘the Guidance’)and the Guidance Early Years entitlements: local authority funding operational guide 2023 to 2024 Published 16 December 2022
- 8.1.2. The National funding formula for schools will determine how much each local authority in England receives and the local authority will still have the statutory responsibility for distributing this to individual schools in consultation with the Schools Forum. Paragraph 18 of the Guidance provides..... *In 2023-24, local authorities will remain responsible for determining final allocations to schools, in consultation with the Schools Forum .*
- 8.1.3. Paragraph 5 of the Guidance should be noted as set out below :
- 2023-24 will also be our first year of transition to the direct schools NFF – with our end point being a system in which, to ensure full fairness and consistency in funding, every mainstream school in England is funded through the same national formula without adjustment through local funding formulae.
- The approach to tightening was confirmed in the government response to the first stage of our consultation on the direct NFF which was completed last year. In 2023-24, local authorities will only be allowed to use NFF factors in their local formulae, and must use all NFF factors, except any locally determined premises factors.
- 8.1.4. The EYNFF funds the free entitlement to early years provision for disadvantaged 2 year olds as well as 3 and 4 year olds across all sectors, which is the Authority’s statutory duty under Section 7 of the Childcare Act 2006. It also assists with the Authority’s delivery of its duty to secure sufficient childcare for working parents under Section 6 of the Childcare Act 2006. The Authority funds providers under the terms of free early entitlement contracts for 2, 3 and 4 year olds, reviewed and Legal Services in February 2022. This is based on a model contract issued by the DfE.

8.2. Finance

- 8.2.1. The schools funding formula is the mechanism through which the Dedicated Schools Grant schools block is provided to schools. The NFF arrangements mean that all schools block funding will be delegated to schools.
- 8.2.2. The schools funding formula has no impact on the council's Medium Term Financial Strategy.
- 8.2.3. The overall carry forward balance for maintained schools is reflected on the council's balance sheet.
- 8.2.4. The EYNFF is funded through the Dedicated Schools Grant. Mid-year adjustments are made to reflect January census data. All providers of the free entitlement will receive an increase in funding based on the proposed formula. Centrally retained levels will continue to not exceed 5% in line with the guidance.
- 8.2.5. The DSG deficit resulting from high needs funding not matching spend is a major issue and the significant deficit reserve is permitted by a temporary accounting override announced by the Department for Levelling Up, Housing and Communities. This override has been extended to 31 March 2026.

8.3. Policy

- 8.3.1. The council is supporting the priorities in the Corporate Plan:

An open and enabling organisation	Ensure that there is transparency in all aspects of council decision making.
A council which empowers and cares about people	Support all children to have the best start in life. Ensure all children have a high quality, enjoyable education that enables them to achieve their full potential.

- 8.3.2. Policy implications relate to the proportion of the base rate in relation to any supplements and how the supplements are targeted. The implemented supplements focus on 'narrowing the gap' between children from disadvantaged areas and their peers and sustaining provision in rural areas. Increasing the funding rate within the existing formula would continue to meet the policy objectives.

8.4. **Equality**

- 8.4.1. The Government NFF announcements include an equality statement. The local schools funding formula applies to all schools based on pupil characteristics. The NFF provides more funding to such characteristics so will help more vulnerable groups in due course.

8.5. **Human Resources**

- 8.5.1. Changes to school funding levels may result in staffing changes at schools requiring HR support. Each school will need to consider the impact of using the existing local formula as opposed to NFF on their three-year financial plans and review their staffing establishment accordingly.

8.6. **Risk Management**

- 8.6.1. Prompt agreement of the schools funding formula allows schools to receive their budget allocations in advance of the financial year. They can ensure their expenditure plans are in line with their available budget. 28 February 2023 is the date by which school block funding levels must be notified to schools.
- 8.6.2. It is recognised this will be challenging for schools and early years providers as costs are increasing.

8.7. **Rural Communities**

Schools Funding Formula:

- 8.7.1. All maintained and academy schools in the Borough are affected by decisions over total funding levels and the local formula used to allocate it to schools.
- 8.7.2. The NFF contains an element of sparsity funding for remote schools meeting the set criteria.

Early Years Funding Formula:

- 8.7.3. The current formula provides additional funding for provision in rural areas in recognition of their limited ability to attract the numbers of children required to cover operating costs. The additional funding is paid to provision determined by a sixfold classification of rural/urban wards produced by Cheshire East Council.

8.7.4. Funding should continue to be awarded to rural areas to support sustainability of provision and the Authority's sufficiency duty.

8.8. Children and Young People/Cared for Children

8.8.1. All maintained and academy schools in the Borough are affected by decisions over funding levels and the formula to allocate funding.

8.8.2. In addition to DSG schools block funding, schools continue to receive other grant funding such as pupil premium allocations for cared for children where they are eligible and universal infant free school meals funding.

8.8.3. Adequate and equitable funding contributes towards sustaining sufficient levels of early years provision across the borough for children to access their free early education entitlement. This is a statutory duty for the Local Authority.

8.9. Public Health

8.9.1. There are no direct implications for public health.

8.10. Climate Change

8.10.1. There are no direct implications

Access to Information	
Contact Officer:	<p>Schools Name: Jacky Forster Job Title: Director of Education and 14-19 Skills Email: Jacky.Forster@cheshireeast.gov.uk</p> <p>Early Years Name: Claire Williamson Job Title: Director of Director of Strong Start, Family Help and Integration Email: claire.williamson@cheshireeast.gov.uk</p>
Appendices:	<p>Appendix 1 Setting the Schools Funding Formula 2023/24 Appendix 2 Recommended Formula – Factors and Values 2023/24 Appendix 3 Further Details of the Early Years NFF April 2017</p>

	<p>Appendix 4 Hourly rates payable to providers of the Free Early Education Entitlements and Proposed hourly rates payable to providers of the Free Early Education Entitlements for 2023/24.</p> <p>Appendix 5 ~ DSG High Needs Block Allocations 2023/24</p> <p>Appendix 6 ~ DSG Central Schools Services Block Allocations 2023/24</p>
Background Papers:	<p>Schools Forum papers for 2022 are held at: http://www.cheshireeast.gov.uk/schoolsforum</p> <p>The DfE released funding information for 2023/24 at this link.</p> <p>The respective DfE Operation Guidance Notes are available at:</p> <p>Schools Early Years High Needs</p> <p>Central School Services– guidance is included in the schools block guidance from section 34.</p> <p>The council's DSG Management Plan is available at Agenda for Children and Families Committee on Friday, 23rd September, 2022, 1.00 pm Cheshire East Council As item 34</p>